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LEGISLATIVE HISTORY  
Public Law 3 - 84th Congress  
H. R. 2091

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### Digest of Public Law 3

URGENT DEFICIENCY APPROPRIATION ACT, 1955 (approved January 25, 1955). Increases by \$7,290,000 the CCC administrative-expense limitation for 1955, and appropriates \$150,000 additional for the Commission on Intergovernmental Relations.

#### Index and Summary of H. R. 2091

January 10, 1955	House received proposal from President. House Document 59, 84th Congress.
January 13, 1955	House Appropriations Committee reported H. R. 2091. Print of bill and House Report No. 3. House passed H. R. 2091 without amendment.
January 14, 1955	H. R. 2091 referred to Senate Appropriations Committee.
January 17, 1955	Senate Appropriations Committee reported H. R. 2091 with amendments. Print of bill and Senate Report No. 6.
January 18, 1955	Senate passed H. R. 2091 with amendments and appointed conferees.
January 20, 1955	House concurred in Senate amendments without conference.
January 25, 1955	Approved (Public Law 3, 84th Congress).

House and Senate Appropriations Committees held hearings. Printed hearings are included in this history.



# URGENT DEFICIENCY APPROPRIATION BILL, 1955

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## HEARINGS BEFORE SUBCOMMITTEES OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES EIGHTY-FOURTH CONGRESS FIRST SESSION

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Printed for the use of the Committee on Appropriations





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Printed for the use of the Committee on Appropriations



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1955

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# URGENT DEFICIENCY APPROPRIATION BILL, 1955

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MONDAY, JANUARY 10, 1955.

### HOUSING AND HOME FINANCE AGENCY

#### FEDERAL HOUSING ADMINISTRATION

##### WITNESSES

NORMAN P. MASON, FEDERAL HOUSING COMMISSIONER

FRANK J. MEISTRELL, GENERAL COUNSEL

LESTER H. THOMPSON, COMPTROLLER

HORACE B. BAZAN, DIRECTOR, BUDGET AND ORGANIZATION  
DIVISION

ALLAN F. THORNTON, DIRECTOR, RESEARCH AND STATISTICS  
DIVISION

ALBERT M. COLE, HOUSING AND HOME FINANCE ADMINISTRATOR

JOHN M. FRANTZ, AGENCY BUDGET OFFICER

Mr. THOMAS. Gentlemen, will the committee please come to order?

We have with us this morning the gentlemen from the Federal Housing Administration. Present is Mr. Cole, the Administrator of the Housing and Home Finance Agency, together with his Budget Director, Mr. Frantz. Also, we have with us Mr. Mason, the Commissioner of Federal Housing; Mr. Meistrell, who is General Counsel, and I believe this is the first time Mr. Meistrell has been with us, and it is nice to have him; we also have Mr. Thompson, the Comptroller; Mr. Bazan, who is Director of the Budget and Organization Division, and Mr. Thornton, who is Director of the Research and Statistics.

The purpose of the meeting here is to remove some limitations for your nonadministrative expense, as well as for your administrative expense item as contained in House Document 60. We will insert the letter of transmittal contained therein at this point, along with the more important parts of the justifications.

(The matter referred to is as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington 25, D. C., January 6, 1955.

The PRESIDENT,

*The White House.*

SIR: I have the honor to submit herewith for your consideration a draft of a proposed provision pertaining to the fiscal year 1955 increasing limitations for the Housing and Home Finance Agency as follows:

#### "HOUSING AND HOME FINANCE AGENCY

##### "FEDERAL HOUSING ADMINISTRATION

*"The amount made available under this head in title II of the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, for administrative expenses, is increased from '\$5,500,000' to '\$5,625,000', and the limitation on the amount available for expenses of travel is increased from '\$250,000'*



to '\$267,600': *Provided, That the limitation under said head on the amounts available for certain nonadministrative expenses of said Administration is increased from '\$26,250,000' to '\$31,560,000'.*"

This proposed provision is necessary to permit the Federal Housing Administration to: (1) Review certain multifamily housing projects insured primarily under section 608 of the National Housing Act to prevent the dissipation of assets and to recover any illegal windfall profits, and (2) permit the processing of the increased volume of mortgage-insurance applications which arose largely as a result of passage of the Housing Act of 1954 on August 2, 1954. Prompt action on this proposal is important in order to avoid unnecessary delay in processing applications for mortgage insurance which, in turn, would impede housing construction.

I recommend that the foregoing proposed revision be transmitted to the Congress.

Respectfully yours,

ROWLAND HUGHES,  
*Director of the Bureau of the Budget.*

#### REQUEST FOR SUPPLEMENTAL BUDGET AUTHORIZATION, FISCAL YEAR 1955

The heavy volume of mortgage insurance applications following approval of the Housing Act of 1954 and certain pressing problems in connection with section 608 rental housing, primarily in the field of litigation, have created an urgent need for supplementary budget authorization during the fiscal year 1955.

An additional \$5,310,000 is needed under the nonadministrative expense authorization to examine an additional 214,500 unit applications in the current fiscal year. Litigation and other action to effect recoveries under the section 608 program, the financial analysis of section 608 projects and appropriate audits to conserve the assets and income of multifamily housing projects where default has occurred will require an additional \$125,000 under the administrative expense authorization. These increased expenses will be met from the operating income of the FHA which is expected to be approximately \$136.7 million in the current fiscal year.

#### VOLUME OF APPLICATIONS

The volume of mortgage insurance applications has almost doubled in the past year. During the 3-month period September through November 181,000 unit applications were received. In the corresponding period a year ago only 94,000 unit applications were received.

The response to the liberalized home mortgage terms provided by the Housing Act of 1954 has been very strong. During the 6 months prior to approval of the Housing Act home mortgage insurance applications were received at an average annual rate (after seasonal adjustment) of 532,000. In the 3 months since approval of the act the average seasonally adjusted annual rate of receipts has been 741,000, an increase of approximately 40 percent. As the new programs for servicemen's mortgage insurance and for urban renewal housing develop, further heavy increases are expected.

The table appearing on page 4 shows the monthly volume and the seasonally adjusted annual rate of applications from July 1953 through November 1954.

In the aggregate 706,000 unit applications are estimated for 1955 in comparison with the 489,829 received last year.

#### PROCESSING OF INSURANCE APPLICATIONS

The result of this heavy influx of work has been a serious backlog and consequent delays in processing and impairment of public service. On June 30, 1954, there were approximately 31,000 applications for home mortgage insurance in process. By the end of September the backlog had reached 66,000. In the face of the strong public response to the liberalized home mortgage terms provided by the Housing Act of 1954, it was evident that there was grave danger of frustrating and delaying the new housing program which had been approved by Congress by reason of FHA's inability to carry the workload with its existing staff. To meet this situation emergency measures were taken to permit FHA to begin recruitment of additional staff and to employ overtime, per diem, and fee work on an extensive scale in an effort to prevent further growth of backlogs and dis-



location of field operations pending opportunity for congressional consideration of the problem.

The field processing staff was placed on a 6-day workweek with additional over-time where practicable and necessary. Recruitment of additional full-time and per diem employment was undertaken. As a result of these emergency measures and by virtue of the winter seasonal drop in applications it has been possible to avoid further serious growth in backlogs. Nevertheless service to the public continues to be seriously delayed and in danger of worsening as the seasonal spring rise in business begins and as operations begin to develop under the new programs for urban renewal and servicemen's housing. These emergency measures must be continued and must be supplemented by prompt recruitment of qualified staff in the field.

The supplementary budgetary authorization herein requested will provide for the continuation of these emergency measures and for recruitment of the additional staff needed during the balance of the current fiscal year. Prompt action is imperative to avoid interruption in the special measures which have already been taken and to permit staffing the offices as rapidly as possible in advance of the heavy spring seasonal rise in the volume of applications.

*Unit applications received*

	Home mortgage					Project mortgage		Home and project mortgage	
	Monthly volume		Seasonally adjusted annual rate			Monthly volume	Annual rate	Monthly volume	Seasonally adjusted annual rate
	New	Existing	Total	New	Existing				
Fiscal year 1954:									
July 1953.....	16,753	14,318	31,081	209,500	162,100	3,897	46,700	34,978	418,300
August.....	13,999	12,581	26,580	168,000	131,300	9,895	118,700	36,475	418,000
September.....	16,069	11,833	27,902	211,900	139,200	1,972	23,700	29,874	374,800
October.....	17,621	11,879	29,500	199,500	135,800	4,329	51,900	33,829	387,200
November.....	13,406	10,305	23,711	182,800	140,500	6,889	82,700	30,600	406,000
December.....	13,386	9,562	22,948	211,300	147,100	8,111	97,300	31,059	455,700
January 1954.....	15,007	10,190	25,197	240,100	154,800	9,326	111,900	34,523	506,800
February.....	20,008	12,761	32,769	272,800	176,000	5,695	68,300	38,464	517,100
March.....	28,055	17,285	45,340	278,200	192,100	9,294	111,500	54,634	581,800
April.....	32,333	16,903	49,236	315,400	193,200	6,533	78,400	55,769	587,000
May.....	30,327	16,370	46,697	282,100	170,800	4,388	52,700	51,085	595,600
June.....	35,207	18,082	53,289	394,800	193,700	5,250	63,000	58,539	651,500
Fiscal year 1955:									
July.....	30,143	16,306	46,449	376,800	184,600	1,136	13,600	47,585	575,000
August.....	32,166	21,084	53,850	386,000	226,300	167	2,000	54,017	614,300
September.....	34,831	32,287	67,118	459,300	379,800	64		67,182	839,900
October.....	29,325	29,127	58,452	332,000	332,900	750	9,000	59,202	673,900
November.....	26,851	25,869	52,720	366,100	352,700	1,884	22,600	54,604	741,400

## Schedule of fiscal year 1955 administrative expenses

	Presently available	Revised estimate	Difference
Average employment:			
Full-time.....	870	890	20
Terminal leave.....	10	10	-----
Overtime.....	5	5	-----
Total.....	885	905	20
Expenses:			
Personal services:			
Full-time.....	\$4,360,995	\$4,468,395	\$107,400
Terminal leave.....	50,000	50,000	-----
Overtime pay.....	21,500	21,500	-----
Work in excess of 52-week base.....	16,500	16,500	-----
Total personal services.....	4,448,995	4,556,395	107,400
Other objects:			
Travel.....	250,000	267,600	17,600
Transportation of things.....	12,720	12,720	-----
Communication services.....	39,125	39,125	-----
Rents and utility services.....	556,000	556,000	-----
Printing and reproduction.....	39,150	39,150	-----
Other contractual services.....	113,730	113,730	-----
Supplies and materials.....	33,930	33,930	-----
Taxes and assessments.....	6,350	6,350	-----
Total other objects.....	1,051,005	1,068,605	17,600
Total administrative expenses.....	5,500,000	5,625,000	125,000

## ADMINISTRATIVE EXPENSES

## Litigation in connection with sec. 608 rental projects

	Positions	Average employ- ment	Salary expense	Travel expense	Total expense
Legal staff for sec. 608 recoveries.....	15	4.5	\$27,600	\$9,600	\$37,200
Auditing and accounting in support of legal action.....	17	5.0	27,200	4,000	31,200
Total.....	32	9.5	54,800	13,600	68,400

Recent investigations of rental housing operations under section 608 of the National Housing Act have given evidence of a substantial number of cases in which windfall profits were taken out of mortgage proceeds in excess of cost by mortgagors constructing large-scale rental housing developments under the post-war emergency rental housing program. As a basis for remedial action several thousand questionnaires and financial statements must be analyzed and in a number of cases on-site audits will be required. A determination must be made on the law and facts affecting each case, whether and in what amount a windfall has occurred, and to what extent it may be recovered. Cases must be prepared for presentation to the Department of Justice for suit. In appropriate cases settlement may be effected with the mortgagors or other legal action may be taken. To accomplish this work a task force of accounting and legal personnel has been established. This force totaling 32 employees is now being recruited. The funds herein requested are needed to pay their salaries and travel expense during approximately 3 months of the current fiscal year.

	Positions	Average employ- ment	Salary expense	Travel expense	Total expense
Financial analysis of insured projects.....	28	8.5	\$42,000	-----	\$42,000

In the interests of protecting FHA's contingent liability on insured-project mortgages, while assuring the benefits to the public of the mortgage-insurance program, FHA has certain rights as insurer and preferred stockholder, or as a party to a regulatory agreement, to keep abreast of the affairs of the mortgagors and the condition of the projects and to exercise under certain conditions a degree of regulatory authority over rents, charges and capital structure. More than 5,000 of these projects submit regularly financial statements which, if they could be analyzed, would serve in conjunction with physical inspections of the projects as a basis for FHA's continued administrative review of the rental projects. Comprehensive analyses of these statements should be undertaken immediately on a continuing basis. This request would provide for the accomplishment of this work by the employment of a staff of 28 employees with a salary expense this year of approximately \$42,000.

	Positions	Average employees	Salary expense	Travel expense	Total expense
Audit of defaulted mortgagors for conservation of assets and income-----	7	2.0	\$10,600	\$4,000	\$14,600

When default has occurred on a mortgage covering a multifamily housing project and acquisition of the project by the Commissioner is impending, it is necessary to determine accurately the assets, liabilities and, financial position of the mortgagor and as a basis for conservation of its assets and income. Prompt action is essential to assure that the assets and income of the project are not dissipated during the period following default and prior to acquisition of the property by the Commissioner. There are at the present time 188 project mortgages in default. Eighty-five projects are now in process of acquisition. A staff of 7 is urgently needed to undertake audits which should be made between now and June 30, 1955. Salary and travel expenses are estimated at \$14,600 during the current fiscal year.

*FHA nonadministrative expenses, fiscal year 1955*

	Presently available			Revised estimate			Difference	
	Depart- mental	Field	Total	Depart- mental	Field	Total	Depart- mental	Field
Average employment:								
Full-time-----	604	3,504	4,108		4,074	4,678		570
Terminal leave-----	3	175	178	3	81	84		-94
Overtime-----	5	120	125	5	500	505		380
Intermittent-----		10	10		25	25		15
Total average employment-----	612	3,809	4,421	612	4,680	5,292		871
Personal services:								
Full-time-----	\$2,306,000	\$18,184,800	\$20,490,800	\$2,306,000	\$20,803,400	\$23,109,400		\$2,618,600
Terminal leave-----	10,300	900,000	910,300	10,300	421,200	431,500		-478,800
Overtime and holiday pay-----	29,500	700,000	729,500	29,500	3,120,000	3,149,500		2,420,000
Nightwork differential-----	2,400		2,400	2,400		2,400		
Intermittent employment-----		55,000	55,000		127,500	127,500		72,500
Pay for service abroad-----		82,000	82,000		82,000	82,000		
Pay in excess of 52-week base-----	8,900	70,300	79,200	8,900	80,000	88,900		9,700
Total personal services-----	2,357,100	19,992,100	22,349,200	2,357,100	24,634,100	26,991,200		4,642,000
Other objects:								
Travel-----	32,100	1,594,000	1,626,100	32,100	1,919,800	1,951,900		325,800
Transportation of things-----	14,000	61,600	75,600	14,000	67,700	81,700		6,100
Communication services-----	271,000	223,400	494,400	271,000	228,200	499,200		4,800
Rents and utility services-----	326,600	760,000	1,086,600	326,600	847,500	1,174,100		87,500
Printing and reproduction-----	35,000	143,900	178,900	35,000	159,400	194,400		15,500
Other contractual services-----	46,100	111,100	157,200	46,100	124,400	170,500		13,300
Supplies and materials-----	16,000	116,700	132,700	16,000	128,200	144,200		11,500
Equipment-----		100,000	100,000		300,000	300,000		200,000
Taxes and assessments-----	5,300	44,000	49,300	5,300	47,500	52,800		3,500
Total other objects-----	746,100	3,154,700	3,900,800	746,100	3,822,700	4,568,800		668,000
Total nonadministrative expenses-----	3,103,200	23,146,800	26,250,000	3,103,200	28,456,800	31,560,000		5,310,000



*Personal services (nonadministrative expenses)*

Field man-years	Presently available	Revised estimate	Difference
Average full-time employment:			
Number.....	3, 504	4, 074	+570
Amount.....	\$18, 337, 100	\$20, 965, 400	+\$2, 628, 300
Terminal leave:			
Number.....	175	81	-94
Amount.....	\$900, 000	\$421, 200	-\$478, 800
Overtime employment:			
Number.....	120	500	+380
Amount.....	\$700, 000	\$3, 120, 000	+\$2, 420, 000
Intermittent employment:			
Number.....	10	25	+15
Amount.....	\$55, 000	\$127, 500	+\$72, 500
Totals:			
Number.....	3, 809	4, 680	+871
Amount.....	\$19, 992, 100	\$24, 634, 100	+\$4, 642, 000

Field personal services requirements for the current year are summarized above. The field-personnel requirements have been developed on the basis of workload and production ratios as shown in the accompanying table. The revised estimate supports an increase of 1,065 man-years over the 3,634 that can be realized under the amount currently available. By forestalling the reduction in force that would be required under the present limitation, an additional 94 man-years of employment will be obtained by reduction in terminal-leave expense. Approximately 100 man-years of the additional personnel needed are expected to be supplied from the services of fee appraisers in making valuations of existing homes. Overtime employment, representing a 6-day workweek for personnel processing in the field and intermittent employment of staff personnel on a per diem when actually employed basis of compensation is expected to provide 395 man-years, while the remaining requirements of 570 man-years will be provided through full-time staff. Steps are now being taken to develop civil-service registers of qualified appraisers, architects, inspectors, mortgage credit examiners, and other needed personnel for employment in the field offices when funds become available.

*Schedule showing determination of field requirements, fiscal year 1955*

	Workload			Production ratio		Personnel requirements		
	Presently available	Revised estimate	Difference	Presently available	Revised estimate	Presently available	Revised estimate	Difference
Examination of unit applications for mortgage insurance:								
Home mortgages.....	435, 500	650, 000	214, 500	189	195	2, 304	3, 333	1, 029
Project mortgages.....	33, 500	33, 500	-----	200	200	168	168	-----
Total examination.....	469, 000	683, 500	214, 500	181	195	2, 472	3, 501	1, 029
Compliance inspections:								
Home mortgages (inspections).....	981, 000	1, 065, 000	84, 000	2, 400	2, 600	409	410	1
Project mortgages (average U/C).....	26, 300	26, 300	-----	200	200	132	132	-----
Total compliance.....	-----	-----	-----	-----	-----	541	542	1
Insurance of mortgages (D. U.):								
Home mortgages.....	275, 900	362, 500	86, 600	2, 500	2, 500	110	145	35
Project mortgages.....	33, 800	31, 600	-2, 200	-----	-----	40	40	-----
Total insurance.....	309, 700	394, 100	84, 400	-----	-----	150	185	35
Total processing personnel.....	-----	-----	-----	-----	-----	3, 163	4, 228	1, 065
Miscellaneous field.....	-----	-----	-----	-----	-----	471	471	-----
Total field (net).....	-----	-----	-----	-----	-----	3, 634	4, 699	1, 065

## OTHER OBJECTS OF EXPENSE

	Presently available	Revised estimate	Difference
02 Travel.....	\$1,594,000	\$1,919,800	\$325,800

Field travel costs have been developed on a unit cost basis as shown in the accompanying table. The unit costs used in developing the estimates are the actual costs which prevailed in fiscal year 1954.

	Presently available	Revised estimate	Difference
05 Rent.....	\$760,000	\$847,500	\$87,500

Present commitments on space occupied by the field staff will cost an estimated \$760,000 for the current year. Present space will accommodate a staff of about 4,000. The revised estimate will provide for the acquisition of 100 square feet of space per each additional employee at an annual cost of \$3.50 per foot. The estimate has been based on cost for one quarter of the current fiscal year.

	Presently available	Revised estimate	Difference
09 Equipment.....	\$100,000	\$300,000	\$200,000

Equipment for new employees is estimated to cost \$200 per employee.

*Other Expenses*

	Presently available	Revised estimate	Difference
03 Transportation of things.....	\$61,600	\$67,700	\$6,100
04 Communication services.....	223,400	228,200	4,800
06 Printing and reproduction.....	143,900	159,400	15,500
07 Other contractual services.....	111,100	124,400	13,300
08 Supplies and materials.....	116,700	128,200	11,500
15 Taxes and assessments.....	44,000	47,500	3,500
Total.....	700,700	755,400	54,700
Average cost per full-time employee.....	200	186	-14

Other expenses at a cost of \$186 per full-time man-year of employment account for an increase of \$54,700 or slightly more than 1 percent of the total supplemental estimate of \$5,310,000.

*Analysis of field travel costs, fiscal year 1955*

	Presently available			Revised estimate		
	Workload	Unit cost	Travel cost	Workload	Unit cost	Travel cost
Home mortgage examination.....	435,500	\$1.30	\$566,150	650,000	\$1.30	\$845,000
Project mortgage examination.....	33,500	.42	14,070	33,500	.42	14,070
Home mortgage compliance.....	981,000	.57	559,170	1,065,000	.57	607,050
Project mortgage compliance (average U/C).....	26,300	3.77	99,151	26,300	3.77	99,151
Project mortgage insurance.....	33,800	.25	8,450	31,600	.25	7,900
Total underwriting travel.....			1,246,991			1,573,171
	Employees traveling	Cost per employee	Travel cost	Employees traveling	Cost per employee	Travel cost
Administrative.....	132	\$518	\$68,400	132	\$518	\$68,400
Title I collections.....	70	1,479	103,538	70	1,479	103,538
Property management.....	81	965	78,141	81	965	78,141
Regional activities.....	81	871	70,581	81	871	70,581
Conference.....			13,600			13,600
Other.....			12,400			12,400
Total.....			346,660			346,660
Total field travel.....			1,593,651			1,919,831
Round-off.....			1,594,000			1,919,800

SALARIES AND EXPENSES, FEDERAL HOUSING ADMINISTRATION, HOUSING AND HOME FINANCE AGENCY

*Amounts available for obligation*

	Presently available	Revised estimate, 1955	Difference
ADMINISTRATIVE			
Limitation or estimate.....	\$5,500,000	\$5,625,000	\$125,000
Reimbursements from other accounts.....	150,000	150,600	
Total available for obligation.....	5,650,000	5,775,000	125,000
Total obligations.....	5,650,000	5,775,000	125,000

*Obligations by activities*

	Presently available	Revised estimate, 1955	Difference
ADMINISTRATIVE			
<i>Direct Obligations</i>			
1. Executive direction.....	\$128,000	\$128,000	
2. Program direction.....	1,581,000	1,623,000	\$42,000
3. Staff, administrative and fiscal.....	3,791,000	3,874,000	83,000
Total direct obligations.....	5,500,000	5,625,000	125,000
<i>Obligations Payable Out of Reimbursements From Other Accounts</i>			
3. Staff, administrative and fiscal.....	150,000	150,000	
Total obligations payable out of reimbursements from other accounts.....	150,000	150,000	
Total obligations.....	5,650,000	5,775,000	125,000



*Obligations by objects*

	Presently available	Revised esti- mate, 1955	Difference
<b>ADMINISTRATIVE</b>			
<i>Summary of Personal Services</i>			
Total number of permanent positions.....	958	1,025	67
Average number of all employees.....	894	914	20
Number of employees at end of year.....	920	987	67
Personal service obligations:			
Permanent positions.....	\$4,473,995	\$4,581,395	\$107,400
Regular pay in excess of 52-week base.....	16,500	16,500	-----
Payments above basic rates.....	21,500	21,500	-----
Total personal service obligations.....	4,511,995	4,619,395	107,400
<i>Direct Obligations</i>			
01 Personal services.....	4,448,995	4,556,395	107,400
02 Travel.....	250,000	267,600	17,600
03 Transportation of things.....	12,720	12,720	-----
04 Communications service.....	39,125	39,125	-----
05 Rents and utility services.....	556,000	556,000	-----
06 Printing and reproduction.....	39,150	39,150	-----
07 Other contractual services.....	113,730	113,730	-----
08 Supplies and materials.....	33,930	33,930	-----
15 Taxes and assessments.....	6,350	6,350	-----
Total direct obligations.....	5,500,000	5,625,000	125,000
<i>Obligations Payable out of Reimbursements From Other Accounts</i>			
01 Personal services.....	63,000	63,000	-----
02 Travel.....	3,000	3,000	-----
04 Communications services.....	80,500	80,500	-----
05 Rents and utility services.....	3,500	3,500	-----
Total obligations payable out of reimbursements from other accounts.....	150,000	150,000	-----
Total obligations.....	5,650,000	5,775,000	125,000

*Amounts available for obligation*

	Presently available	Revised esti- mate, 1955	Difference
<b>NONADMINISTRATIVE</b>			
Limitation or estimate.....	\$26,250,000	\$31,560,000	\$5,310,000
Total available for obligations.....	26,250,000	31,560,000	5,310,000

*Obligations by activities*

	Presently available	Revised esti- mate, 1955	Difference
<b>NONADMINISTRATIVE</b>			
<i>Direct Obligations</i>			
1. Repair and improvement loan insurance.....	\$2,500,000	\$2,500,000	-----
2. Mortgage insurance, titles I and II.....	19,150,000	24,460,000	\$5,310,000
3. Rehabilitation and neighborhood conservation housing insurance.....	1,750,000	1,750,000	-----
4. Special incentive and yield insurance.....	1,000,000	1,000,000	-----
5. Military, defense, and servicemen's insurance.....	1,850,000	1,850,000	-----
Total direct obligations.....	26,250,000	31,560,000	5,310,000
Total obligations.....	26,250,000	31,560,000	5,310,000

*Obligations by objects*

	Presently available	Revised estimate, 1955	Difference
<b>NONADMINISTRATIVE</b>			
<i>Summary of Personal Services</i>			
Total number of permanent positions.....	4,666	5,666	1,000
Average number of all employees.....	4,286	4,762	476
Personal service obligations:			
Permanent positions.....	\$21,401,100	\$23,540,900	\$2,139,800
Intermittent employment.....	55,000	127,500	72,500
Regular pay in excess of 52-week base.....	79,200	88,900	9,700
Payment above basic rates.....	813,900	3,233,900	2,420,000
Total personal service obligations.....	22,349,200	26,991,200	4,642,000
<i>Direct Obligations</i>			
01 Personal services.....	22,349,200	26,991,200	4,642,000
02 Travel.....	1,626,100	1,951,900	325,800
03 Transportation of things.....	75,600	81,700	6,100
04 Communication services.....	494,400	499,200	4,800
05 Rents and utility services.....	1,086,600	1,174,100	87,500
06 Printing and reproduction.....	178,900	194,400	15,500
07 Other contractual services.....	157,200	170,500	13,300
08 Supplies and materials.....	132,700	144,200	11,500
09 Equipment.....	100,000	300,000	200,000
15 Taxes and assessments.....	49,300	52,800	3,500
Total direct obligations.....	26,250,000	31,560,000	5,310,000
Total obligations.....	26,250,000	31,560,000	5,310,000

*Schedule of average grades and salaries*

	Fiscal year 1953	Fiscal year 1954	Revised estimate fiscal year 1955
<b>ADMINISTRATIVE</b>			
Average salaries and grades:			
General schedule grades:			
Average salary.....	\$4,869	\$4,873	\$5,043
Average grade.....	GS-6.4	GS-6.3	GS-6.7
Ungraded positions: Average salary.....	\$4,205	\$4,625	\$4,625
<b>NONADMINISTRATIVE</b>			
Average salary and grades:			
General schedule grades:			
Average salary.....	\$4,905	\$4,960	\$4,934
Average grade.....	GS-7.3	GS-7.3	GS-7.0

Mr. PHILLIPS. I thought the idea, Mr. Thomas, was to remove some more money from the Treasury.

Mr. THOMAS. Well, for the purpose of the record, it should be shown that both of these items are not from appropriated funds, but from fees collected by the Administration for administrative expenses as well as nonadministrative expense.

Gentlemen, by way of some justification for your appearance here, the committee is certainly willing to take its responsibility for its shortcomings, but the record should show that your 1953 budget for nonadministrative expense was \$26,577,917. For 1954 you spent \$26,100,000.

When you came in during 1954 for your 1955 nonadministrative expense item, your own justifications showed a figure of \$24 million, and this committee raised that figure by \$1 million, which made a

figure of \$25 million. On top of that you were given an additional \$1,250,000 in the Supplemental Appropriation Act for 1955, after your new Housing Act was passed. Of course the Housing Act of 1954 was not passed at the time your original budget was presented, and finally acted upon by the Congress.

So, as the matter stands you now have \$2.25 million more than your own justification showed for this present fiscal year, and you are now seeking to increase that figure of \$26.25 million for non-administrative costs up to \$31,560,000.

Also, in regard to your employment figures, there is an increase in personnel of about 771 employces for your field operations, and to justify that we all missed by the amount of 40 percent your estimates as to the number of starts you would have during this fiscal year.

Mr. Mason, I presume you have a general statement which you would like to make at this time?

Mr. MASON. Yes, sir.

Mr. THOMAS. You may proceed.

#### GENERAL STATEMENT

Mr. MASON. Mr. Chairman and members of the committee, I am very grateful to the committee for arranging this hearing so early in the new session of the Congress because we in FHA are confronted with a very serious budgetary need and time is very important. This is the first occasion on which I have been privileged to appear before you in connection with FHA's budget. I shall try to be brief and clear.

#### INCREASE IN WORKLOAD

Congress passed a new housing act last summer—the Housing Act of 1954. The response to the new act in terms of FHA applications has been tremendous. The volume of unit applications for home mortgage insurance in recent months is more than double the volume during the corresponding period a year ago. Moreover, the prospects are for further increases. We will soon enter the spring building period when applications reach a seasonal peak. In addition, the new programs for urban renewal and servicemen's housing are just beginning to produce applications. The volume of applications will increase as these programs gain headway.

As a result we are getting far more work than we can handle. Serious backlogs have developed in virtually all of FHA's field offices. The number of home mortgage insurance unit applications in process, which stood at about 31,000 in June, had grown to more than 60,000 by September. It was taking—and it still is—over a month for the average applicant to get a commitment from FHA, and in some areas 2 months. During late September and early October backlogs were continuing to accumulate rapidly. We were receiving information that in some areas of the country unemployment in the building trades was being aggravated by FHA's inability to keep up with the volume of applications and by the consequent inability of builders to proceed with their homebuilding plans. Buyers and sellers of existing homes who have applied in great numbers for FHA commitments under the terms of the Housing Act of 1954 met with unreasonable delays. It was evident by the end of September that the new housing act with



all its importance to the economy was in danger of being frustrated by this dislocation in our operations.

Congress was not in session in September, so we could not then seek further budget authorization. In the meantime it was imperative that we take such emergency measures as we could to keep the situation from deteriorating further until Congress convened.

We took these emergency steps promptly. The processing staff in the field was put on a 6-day week with further overtime authorized where it could help in keeping down the backlogs. We stepped up our efforts to recruit employees and authorize the use of part-time help and outside appraisers. We also adopted a procedure to let builders in certain group cases go ahead with construction without knowing what value FHA would place on each property in the group.

This did not eliminate any FHA processing, but it deferred some processing steps and enabled a builder who wanted to take the risk to get his houses under roof before cold weather shut down his building operations.

By these emergency measures and by having the advantage of the winter seasonal slowdown in applications we have kept the backlog from getting any worse since October—we have kept the situation in check until Congress could consider the problem and take such action as may be deemed appropriate.

At the present time we are in this situation: we need about \$2 million to maintain our present authorized field staff for the balance of the fiscal year. That staff cannot keep up with the volume of work we are now getting, except with very extensive overtime, and would fall far behind as the spring volume begins to come in. To pay for the overtime and additional employment needed during the balance of this year to keep abreast of the nearly 400,000 unit applications which we expect to receive between now and the end of June we will need another \$3.3 million, approximately.

The tables which appear on pages 4, 5, and 11 of the justifications show in detail how the volume of business has developed and resulting manpower requirements.

I should say that it will be no easy task to recruit and train the needed personnel and get the necessary high production and high-quality processing work done in the face of this tremendous workload during the coming months and with the long hours we are demanding from our staff. But let me say I know our staff has a great pride in the job it is doing and a great will to get it done well. I will do all I can to give them the kind of support they need, and all of us pulling together will get the job done.

#### SECTION 608 WORKLOAD

I should like now to explain briefly the other part of this budget request, which, though it represents only \$125,000 of the total \$5,435,000, is nonetheless urgent and important. As you know, FHA has been through a period of investigation. The results, centering largely on the section 608 postwar emergency rental housing program, have given us a big job to do. Though the section 608 program itself terminated several years ago, the mortgages are still on the books. We have an obligation to protect the Government's contingent liability on these mortgages amounting to nearly \$3 billion.

The investigations have indicated that, in a substantial number of cases, windfall profits, as they have been called, have been taken out of mortgage proceeds in excess of cost. These are very complex cases, each different on the facts, on the accounting and tax treatment, and on the law involved; but we are seeking, wherever it is appropriate and can be done, to get these windfall funds back into the mortgagor corporation, where they can be applied to the mortgage principal to act to reduce rents or will otherwise stand as a protection against default on the mortgage. This request includes \$68,400 for this work.

#### MULTIFAMILY HOUSING PROJECTS

We are also seeking to follow closely and on a continuing basis the affairs of the mortgagors in all multifamily housing projects with respect to which FHA, as insurer of the mortgage and preferred-stock holder or party to a regulatory agreement, has certain rights of information and control over the mortgagor and the project management. One of the primary means of doing this is the required submission of regular financial statements by some 5,000 mortgagors. We are asking for \$42,000 to employ staff to analyze these statements.

#### DEFAULTED RENTAL PROJECTS

We are also seeking to protect to the utmost the assets and income of defaulted rental projects on which FHA is the mortgagee pending acquisition of the property itself. To do this it will be our policy to have an onsite audit made immediately when it becomes apparent that the mortgage will have to be foreclosed, and we will act to secure the prompt appointment of receivers in such cases to conserve the assets and income of the projects pending acquisition. To make these audits in the remainder of this fiscal year we are requesting \$14,600.

These expenses would be met from fee and premium collections estimated at \$136.7 million this fiscal year.

Thank you. I shall endeavor to answer any questions which the committee may have.

#### INCREASE IN ADMINISTRATIVE EXPENSE LIMITATION

Mr. THOMAS. The committee would be interested in, perhaps, the smallest item in the figure, as to why it is necessary to increase administrative expense funds from \$5,500,000 up to \$5,625,000 as well as the travel item which is included in your administrative expense, which shows an increase of \$17,600.

Would someone address themselves to that?

#### INVESTIGATIONS OF WINDFALL-PROFITS CASES

Mr. BAZAN. Yes, sir. The \$125,000 under the administrative budget is primarily the result of problems which have arisen following the investigations, centering under the section 608 rental housing program.

This request, really, is in three parts: The first part of it is to set up \$68,400 by which we can work out each of these cases in which wind-

fall profits, as they have been called, have been realized out of mortgage proceeds in excess of cost.

Mr. THOMAS. Well, now, you cannot just lightly brush that off. The Administration has had knowledge of those windfall profits for the last 3 years, and what have you done about it? We gave Mr. Thornton and Mr. Thompson, as well as Mr. Hollyday, every opportunity on earth when they were in here last year to make a full and complete disclosure of that. However, everyone hedged and hopped and ducked and dodged, and when you left this room you went over on the Senate side and laid it on the line.

You want more lawyers, you want more accountants and others, to, shall we say, get your house in order, to present these windfall-profits cases to the Justice Department. You have had knowledge of it for the last 3 years, and I presume the same crowd which is going to refurbish it some way had to pass on them 3 years ago.

You had better tell us a little bit more than you have so far about it. If you need the money to go to court, you might touch upon that. Of course, you are not going into court, because the Justice Department is the one who is going into court. The amount of money is small, but it is the principle of the matter rather than the dollars and cents involved.

Mr. MASON. You want to know the answers as to what we think about it?

Mr. MEISTRELL. I would like to address myself to that question, Mr. Thomas.

Mr. THOMAS. How long have you been over there, Mr. Meistrell?

Mr. MEISTRELL. I have been there since the end of August this last year, which is about 5 months.

Mr. THOMAS. Mr. Thornton and Mr. Thompson have been there much longer than you have.

Mr. MASON. That is right; they have.

Mr. MEISTRELL. They have; yes.

Mr. THOMAS. Of course, you did not know anything about this until you went into the agency?

Mr. COLE. May I interrupt?

Mr. THOMAS. Surely.

Mr. COLE. You have two questions there, do you not, Mr. Thomas? You have one question with regard to the situation prior to the investigation, and the second question is why they now need additional money. I think I would be the one to answer the first part of it.

Mr. THOMAS. I do not know that you are accurate about the investigation. Certainly, FHA knew what was going on, and had known about it for 2 or 3 years before the Senate started the investigation. What the Senate brought out was nothing new to you people. You knew all about it, and had known about it at that time for a period of about 3 years.

Mr. COLE. I think I would be the one to answer that, as a representative of the Administration—as to our starting the investigation at the time we started it, and why it was not started earlier.

Both Mr. Mason and Mr. Meistrell came in later, after the investigation had gotten under way. Mr. Bazan and the rest of these gentlemen here were not in policy positions in FHA at that time, and therefore I doubt very much if they could tell you why a full investigation was not started prior to that time.



Mr. THOMAS. Mr. Hollyday was head of the FHA at that time, and all of them answered questions, but he still did not give the information; he still did not make a complete disclosure of it.

What is your need for these additional lawyers and auditors in FHA in the first place?

How many lawyers do you have now, and how many did you have a year ago, and how many auditors do you have now, and how many did you have a year ago?

Mr. BAZAN. Well, we have approximately 41 employees now in the Legal Division, which includes the clerical personnel.

Mr. THOMAS. Is that here in the District of Columbia, as well as in the field?

Mr. BAZAN. That is here in the District of Columbia; there are 4 or 5 field attorneys closing rental housing cases in the field, but they are not in the regular legal staff. That staff has not changed materially since last year.

However, we are setting up a task force to go into this section 608 problem on a temporary basis.

Mr. THOMAS. What is the necessity for these people, and what do you expect to gain by putting on 17 or 18 more lawyers, other than what you know right now, and what you have known for the last 2 or 3 years?

Mr. MEISTRELL. I cannot address any remarks, Mr. Thomas, to what we knew prior to the time Mr. Mason and I joined the FHA. As I mentioned, I became associated with the Federal Housing Administration in the latter part of August. During that time there were two investigations, as you gentlemen are well aware of, one instituted by Senator Capelhart and one by Mr. McKenna of the special investigating staff under Mr. Cole.

As a result of those two investigations certain evidence has been revealed which indicated that under the 608 program there were some serious irregularities. As part of their investigation they obtained information from these 608 mortgagors, which I do not believe was available in the files of the FHA. One aspect of their investigation involved sending out a questionnaire to have these mortgagors disclose the cost of putting up these projects.

Mr. THOMAS. That was done a long time ago; was it not?

Mr. MEISTRELL. No, sir; it was not, if I may address myself to that. There are approximately 7,000. Section 608 projects which were built in the United States, and there were approximately 6,500 questionnaires sent out.

Mr. PHILLIPS. When you say "they" sent out questionnaires, will you please identify the people whom you are discussing?

Mr. MEISTRELL. I am referring now to the McKenna staff, the special investigating staff under Mr. Cole.

Mr. MASON. The questionnaires were sent out by FHA.

Mr. MEISTRELL. That is right; the questionnaires were sent out by the Federal Housing Administration.

Mr. MASON. They were sent out at the request of Mr. McKenna.

Mr. PHILLIPS. They came back, then, to FHA?

Mr. MEISTRELL. No; that is what I am addressing myself to. Approximately 6,500 questionnaires were sent out and a little over 1,200 completed ones were received, leaving over 5,000 which were unanswered or incomplete.

Without the information which would be obtained from these questionnaires, it is extremely difficult, if not impossible, in some instances, to determine whether or not there were any so-called windfall profits, and what some of the irregularities were.

#### ADDITIONAL PERSONNEL REQUESTED

Mr. THOMAS. How many additional lawyers do you want over and above the 45 you have now?

Is that figure 17?

Mr. BAZAN. We are requesting 12 lawyers and 13 accountants, as well as 7 clerical assistants for them.

That will constitute this particular task force on a temporary basis for the balance of this fiscal year.

Mr. THOMAS. That will give you a legal staff of about 55?

Mr. BAZAN. That will give us a regular legal staff of about 19 lawyers plus 12 temporary lawyers for this special job—a total of 31. We gave you earlier a total figure for the division's basic staff, which includes the clerks.

Mr. MEISTRELL. Mr. Thomas, in the Legal Division, we have approximately 40 employees, including 19 lawyers.

Mr. THOMAS. The rest of them are clerks and stenographers?

Mr. MEISTRELL. Yes, sir.

Mr. THOMAS. Will the additional 12 or 13 employees which you are seeking be lawyers or clerks?

Mr. MEISTRELL. No; they would be lawyers.

Mr. THOMAS. How many accountants do you have now?

Mr. MEISTRELL. At the present time we have five.

Mr. BAZAN. We are seeking to bring them up to 13 to work on this job.

Mr. THOMAS. How many lawyers do you have in your shop, Mr. Cole?

You have a legal staff also; do you not?

Mr. COLE. Yes, sir.

Mr. FRANTZ. We have approximately 20 on the professional staff outside of the slum clearance group—that is a rough figure.

Mr. THOMAS. What do you mean when you say "outside the slum clearance group"?

That is about the only need for lawyers which you have over there; is it not? Your only need for lawyers would be in the slum clearance group; would it not?

Mr. FRANTZ. No, sir; there are a number of other operating programs in the Administrator's Office, Mr. Thomas.

Mr. THOMAS. Yes; but they are minor. How many lawyers do you have, including your slum clearance group, in the Office of the Administrator?

Mr. FRANTZ. There would be approximately 40, Mr. Thomas.

Mr. COLE. That would include urban renewal and slum clearance, community facilities, and the rest of the Office of the Administrator.

Mr. FRANTZ. That figure may be a little high.

(NOTE.—The correct figure is 39.)

Mr. THOMAS. When you consider all the constituent branches of the agency over there, you are going to have 100 or 125 lawyers; are you not?



Mr. COLE. Yes; I think that is true; I do not think there is any doubt about that, and may I make this very clear on this request, so far as the FHA is concerned:

It is my judgment that they cannot adequately continue the indicated inquiries into the 608 and title I programs with their present staff, Mr. Thomas. I do not believe there is any question about that.

Mr. THOMAS. We have no intention of doing anything but helping them to do this job.

Mr. COLE. I realize that.

Mr. THOMAS. Why can you not loan the 40 lawyers in your office to these people for this task?

Mr. COLE. Because they are already very busy; their time is utilized and in my judgment they are utilized completely.

I think their responsibilities are so broad and so important that there would be no way of transferring them over to FHA any more than there would be the possibility of transferring some over from some other department.

Mr. THOMAS. You certainly do not need 40 lawyers to coordinate and supervise.

Mr. COLE. They are not coordinating. Only a very few are primarily assigned to coordination and supervision.

#### HOUSING PROGRAMS WITHIN THE AGENCY

Mr. THOMAS. Outside of slum clearance, and 2 or 3 other programs which are minor to slum clearance, they are only coordinating?

Mr. COLE. They are not minor programs, Mr. Thomas, by a long shot; they are very important programs. For instance, we have the community-facilities program——

Mr. THOMAS. That is a brandnew program. You are only in receipt of that authority as of last year.

Mr. COLE. No, sir.

Mr. THOMAS. You have only had charge of that program for about 18 months.

Mr. COLE. No; that program is not new; that program is an old program.

Mr. THOMAS. I know, but it was wound up, for all practical purposes, and you have not had any money now for that program for about 18 months.

Mr. COLE. I am sorry to disagree, but it is not new, nor about wound up.

Mr. THOMAS. However, you have not had any money with which to do anything for it.

You have collected some claims which you made 4 or 5 years ago.

Mr. COLE. No; that is not correct. I am sorry. There have been some programs which we have requested to be canceled, and which have not been canceled, but the program of construction of schools, for instance, is expanding. It is expanding, and it is not decreasing.

Mr. THOMAS. Do you mean college construction?

Mr. COLE. No; schools.

Mr. ANDREWS. In what areas has that construction been going on?

Mr. COLE. All over the country. In defense-impacted areas. That is an expanded program, as well as college housing.

The old community-facilities program to which you are directing your attention, it is true, is diminishing—that is very true, but the other programs are not decreasing.

Mr. THOMAS. What is the situation in regard to your Alaskan program?

Mr. COLE. The Alaskan program is, I hope, decreasing.

Mr. THOMAS. That program involves purely community facilities, and it is about complete and all you have to do is collect the money now which you have been putting out?

Mr. COLE. That is correct.

Mr. ANDREWS. What else do you do besides your school program in the overall community-facilities program?

Mr. COLE. In the community facilities program there is the work in regard to college dormitories—the college housing program—and also we have the Alaska housing program. There is still a program of community facilities that is nearing completion, as I mentioned; and we have a new program of advance planning.

Mr. ANDREWS. With what is that community facilities program concerned?

Mr. COLE. That program, Mr. Andrews, is the one which was very active during the war. It was designed to assist communities to obtain community facilities where they had felt the impact of military personnel.

Mr. ANDREWS. Is there any money left in that fund?

Mr. COLE. There is a little left, but not very much.

Mr. ANDREWS. That was for the purpose of building?

Mr. COLE. Yes, sir; for construction.

Now, there is another program for loans to communities for public works, which the Congress enacted, and also we have the advance planning program.

That program is continuing. I think, generally, that is it.

Mr. ANDREWS. I thought the basis for loans under the program had expired.

Mr. COLE. For which one?

Mr. THOMAS. This was reenacted.

Mr. ANDREWS. The program to assist the communities for planning was reenacted?

Mr. COLE. Yes, sir.

Mr. ANDREWS. What has been your record of collections in regard to loans to communities for public works advance planning?

Mr. COLE. It is quite good, I think. I would say, however, that we are having some difficulty with a few of the communities.

Mr. ANDREWS. Under the law, the community was not required to repay the loan unless the project was completed?

Mr. COLE. That is true, and generally speaking the record has been good with respect to the repayment phase of that program.

#### NEED FOR ADDITIONAL PERSONNEL

Mr. PHILLIPS. I am sorry that I was interrupted by what appeared to be an urgent telephone call. I may have missed a little bit of the presentation.

I do not understand the division of the requested personnel between attorneys and what I would call statisticians. You apparently are asking for 12 attorneys and 13 accountants.

Mr. MEISTRELL. That is true.

Mr. PHILLIPS. It seems to me that what you need are statisticians.

Mr. MEISTRELL. Mr. Phillips, this problem is twofold. The analyses of financial statements and the questionnaires is largely one of determining the cost of the project and the amount of windfall that was involved. There are some very difficult and complicated legal problems involved in this entire program.

The two must necessarily go together if we are to accomplish the objectives which we hope to achieve.

We have in mind, and in my opinion I think we have very good grounds, for recovering a substantial amount of this money for the Government. Time, of course, is an important factor. There has been a great deal of publicity given to this whole problem, and I think if we move rapidly and effectively we will be able to recover a substantial sum of money.

I might mention that we have already entered into tentative settlements with 4 of these so-called windfall builders, and I may, very shortly, be able to report that we have had over \$1 million paid back to us.

Mr. PHILLIPS. Mr. Meistrell, this committee is not going to resist the recovery of money.

Mr. MEISTRELL. I understand that.

Mr. PHILLIPS. I think the question is a technical one, and that it is not a question of whether you need 25 people or 45 people, but it is a question as to why you need 12 attorneys and 13 accountants.

Mr. MEISTRELL. Yes, sir.

Mr. PHILLIPS. I think it is a question as to why you need 12 attorneys and 13 accountants to do a job of bringing in statistical information, and then codifying it.

I gather from your statement that a good deal of this work is considered as temporary?

Mr. MEISTRELL. Yes, sir.

Mr. PHILLIPS. Why not, in an agency with experienced statisticians and experienced attorneys, for what amounts to an emergency job, take men from one staff and put them on the emergency job and then return them to their regular jobs? They are experienced, and they know the general background of the situation, and the 12 attorneys whom you bring in will not know anything.

Mr. MEISTRELL. Well, that would be very desirable.

Mr. PHILLIPS. Why would you not get a better job and, from our standpoint, get it done for less money if you do it that way?

Mr. MEISTRELL. Well, to begin with, we do not have the attorneys available in our own organization. Mr. Cole has indicated that they are not available in his office, nor do we have the accountants and statisticians available.

Mr. MASON. I think we should explain to Mr. Phillips that what we want of these attorneys is to conduct the negotiations to recover the money.

Mr. MEISTRELL. That is right; as well as to do a good deal of legal research.

Mr. Phillips, in this particular area we are very likely to have to make some new law. That is a likely new field. In many instances these mortgagors took funds out through loans, through redemption of stock and through dividends, in violation of their corporate charter,



and it means analyzing the applicable State law. We have another serious problem: If we are able to get restitution made to the corporation, which in itself would be an accomplishment, because it would protect us in the event of default. We hope to be able to apply any recovery of so-called windfall profits toward recasting the mortgage, and if we do, we will then effect rent reductions.

In both of those areas there is a great deal of legal research to be done. Also, we have evidence of irregularities that may ultimately constitute fraud in a legal sense. We have evidence of corruption on the part of FHA employees. There are many problems of that nature which are strictly legal in their concepts which we hope to investigate and prepare these cases so that if we are not successful in effecting settlements, we will proceed to litigation.

#### MORTGAGE INSURANCE APPLICATIONS

MR. TABER. I have been going over these justifications. The justifications indicate that the funds requested are for the purpose of taking care of 214,500 new applications, that were not contemplated at the time of your original budget hearings.

MR. THOMAS. That is right. That is a nonadministrative cost.

MR. TABER. Your testimony here today is on the question of windfall operations and checking up, perhaps, on possible fraudulent procurement of Federal mortgages, or Federal guarantees.

MR. THOMAS. Might I interrupt for just a minute? Their request falls into two parts. One is to take care of the increased workload in the nonadministrative expense in the field and to take care of new applications which exceeded their best judgment by 40 percent. That is a little over \$5 million dollars.

The second is a small amount, \$125,000, to take care of administrative expenses. That fund will be spent for lawyers and accountants who will study windfall profits.

The one request is for \$125,000, a small amount, and the other is for five million plus.

MR. BAZAN. Of those figures, \$125,000 is for windfall and for certain other problems under 608, and \$5,310,000 is the expense of processing these additional applications.

MR. TABER. How many applications have you had already?

MR. BAZAN. We have had this fiscal year, to date, 337,000 applications through December, and we expect to get nearly 400,000 in the balance of the fiscal year. And we are backlogged almost throughout the country on an average of better than a month; but it ranges in some offices from 3 weeks up to 7, 8, and 9 weeks. We hope to bring those backlogs under control and get out this additional business that we are getting.

MR. TABER. How many applications did you contemplate you would have when you were up here asking for your regular request last year?

MR. BAZAN. When we came up for our regular request, it was for a program of 425,000 unit applications for mortgage insurance. The revised estimate for the year is 706,000 and that accords with the rate at which we are now receiving them. The original estimate accorded with the general assumptions made by the administration that housing applications would be down and the starts would be around 900,000; whereas they are running now between 1,200,000 and 1,300,000. And

the existing construction home mortgage applications have just about doubled in the last few months following the new Housing Act.

Mr. TABER. What percentage of the housing construction is financed through these operations?

Mr. BAZAN. Approximately 25 percent up to 30 percent start under FHA inspection. Not all of them ultimately are financed through FHA insurance, but they start under our program and come through FHA processing.

Mr. TABER. On that basis of 600,000, you would have total constructions or starts of approximately 1,800,000 units.

Mr. BAZAN. Excuse me; but 300,000 of our total applications will be for existing homes that are not counted in those construction figures.

Mr. MASON. Another thing: Under the new act, a greater percentage than in the past will probably be under FHA because of the more liberal terms of the Housing Act under FHA than the conventional.

Mr. TABER. With that picture indicating probable housing units under construction of better than 1,200,000, you would not figure there would be any need for these public housing projects, would you?

Mr. BAZAN. That question is beyond my province, Mr. Taber.

Mr. COLE. I think, Mr. Taber, that would be the type of question I should answer rather than FHA.

The question of the need for public housing as related to the number of starts in FHA must be broken down. Public housing is supposed to provide housing for people in low incomes who are unable to obtain decent housing in the private market. The last Congress limited public housing to those people dispossessed from slum clearance projects and by other governmental action. So the program is quite limited.

Now it is true, in my judgment, that an expansion of construction of new housing, particularly with the assistance of FHA which helps to construct housing in the lower priced bracket—it is true that the expanded program of construction of new housing in the lower cost area will relieve the pressure or the need of housing for people with low incomes.

Quite frankly, there will always be people in low incomes unable to purchase or to rent a house in certain price brackets. We all know that. The policy question then becomes—What is the responsibility of the Federal Government to assist those people?

I do not know whether I have answered your question, but I do think you cannot merely say that by reason of 1,200,000 starts in 1 year there would be no need for assistance to people with low incomes. I also say to you that you have a very good point—that the expanded building of new housing will relieve the pressure for assistance to people in low incomes. The issue is whether, in an expanded housing market, there is any need for public housing, or how long that need will continue. You can break it off and say “None,” or you can say there will still be a field in which some people will need assistance. It is a matter of judgment and policy.

Mr. THOMAS. I think our genial and able counsel (Mr. Meistrell) was a little on the weak side a while ago, on the modest side, when he spoke about FHA being 3 or 4 weeks behind with their workload. Several members of this committee visited a good many of their

field offices and they are 3 or 4 or 5 months behind. There is not much justification for that.

Gentlemen, if there are no further questions, we will excuse you gentlemen and thank you for coming over.

Mr. MASON. We thank you very much for the opportunity.

Mr. THOMAS. We will be seeing you again, I am sure.

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TUESDAY, JANUARY 11, 1955.

## FOREIGN CLAIMS SETTLEMENT COMMISSION

**HENRY J. CLAY, ACTING CHAIRMAN**  
**ROBERT A. KENNEDY, EXECUTIVE DIRECTOR**  
**ANDREW R. McGUIRE, GENERAL COUNSEL**  
**JULIUS KLEIZO, BUDGET OFFICER**

Mr. THOMAS. Gentlemen, the committee will come to order.

We have with us this morning witnesses from the Foreign Claims Settlement Commission. We have Mr. Clay, Acting Chairman; Mr. Kennedy, the Executive Director; Mr. McGuire, General Counsel, and Mr. Julius Kleizo, Budget Officer.

The letter of transmittal contained in House Document 61 and pertinent parts of the justification will be inserted in the record at this point.

(The information referred to is as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,  
 BUREAU OF THE BUDGET,  
 Washington, D. C., January 7, 1955.

The PRESIDENT,  
*The White House.*

SIR: I have the honor to submit herewith for your consideration a draft of a proposed provision pertaining to the fiscal year 1955 for the Foreign Claims Settlement Commission, as follows:

### "INDEPENDENT OFFICES

#### "FOREIGN CLAIMS SETTLEMENT COMMISSION

##### "ADMINISTRATIVE EXPENSES

"For an additional amount for "Administrative expenses", for carrying out the provisions of the Act of August 31, 1954 (Public Law 744), \$130,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved July 3, 1948); and this amount and amounts previously made available from this source to the Foreign Claims Settlement Commission for 'Administrative expenses' shall remain available until June 30, 1955: Provided, That the limitation under this head in the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, on the amount available for expenses of travel of the Foreign Claims Settlement Commission (War Claims Commission) is increased from '\$8,000' to '\$12,000'."

The proposed provision, including authority to expend unobligated balances which otherwise expire on March 31, 1955, is necessary to provide funds for the organization and administration of claims settlement programs authorized under Public Law 744 (approved August 31, 1954). No provision has to date been made for these expenses during the fiscal year 1955.

I recommend that the foregoing proposed provision be transmitted to the Congress.

Respectfully yours,

ROWLAND HUGHES,  
 Director of the Bureau of the Budget.



## ADMINISTRATIVE EXPENSES, FOREIGN CLAIMS SETTLEMENT COMMISSION

*Amounts available for obligation*

	Presently available, fiscal year 1955	Revised estimate, fiscal year 1955	Difference increase (+)
Limitation or estimate (transferred from "War Claims Fund")	\$915,000	\$1,045,000	+\$130,000
Unobligated balance not available for subsequent use	45,000		+45,000
Obligations incurred	870,000	1,045,000	+175,000

*Obligations by activities*

	Presently available, fiscal year 1955	Revised estimate, fiscal year 1955	Difference increase (+)
Administration and settlement of war claims:			
World War II	\$770,000	\$945,000	+\$175,000
Korean	100,000	100,000	
Obligations incurred	870,000	1,045,000	+175,000

*Obligations by objects*

Object classification	Presently available, fiscal year 1955	Revised estimate, fiscal year 1955	Difference increase (+)
<i>Summary of Personal Services</i>			
Total number of permanent positions	200	200	
Average number of all employees	167	194	+27
Number of employees at end of year	110	110	
Average salaries and grades:			
General schedule grades:			
Average salary	\$4,698	\$4,817	+\$119
Average grade	GS-7.5	GS-7.6	
Personal service obligations:			
Permanent positions	\$783,114	\$934,540	+151,426
Regular pay in excess of 52-week base	3,226	3,600	+374
Payment above basic rates	4,000	5,500	+1,500
01 Personal services obligations	790,340	943,640	+153,300
<i>Obligations</i>			
01 Personal services	790,340	943,640	+153,300
02 Travel	8,000	12,000	+4,000
03 Transportation of things	2,500	2,900	+400
04 Communication services	19,660	22,460	+2,800
06 Printing and reproduction	5,200	7,400	+2,200
07 Other contractual services	12,000	15,000	+3,000
Services performed by other agencies	17,500	23,100	+5,600
08 Supplies and materials	7,500	10,100	+2,600
09 Equipment	4,900	5,300	+400
15 Taxes and assessments	2,400	3,100	+700
Total obligations	870,000	1,045,000	+175,000

## GENERAL STATEMENT

The authority to expend unobligated balances of \$45,000 remaining after March 31, 1955, from funds appropriated to the Foreign Claims Settlement Commission and the additional \$130,000 is necessary to provide funds for the organization and administration of claims under Public Law 744 (approved August 31, 1954). No administrative expenses have been appropriated for this

purpose since Public Law 744 was passed after supplemental funds were made available.

Of the \$915,000 available during this year, \$770,000 will be required to complete old claims programs by March 31, 1955. Of the remainder, \$100,000 has been earmarked by Public Law 663 (approved August 26, 1954) for Korean claims expenses. The \$45,000 unobligated balance represents savings.

The \$175,000 for the fourth quarter, fiscal year 1955, is required to carry out the provisions of Public Law 744 in effecting an orderly transition from the old claims program to the new, formulating new policies and procedures, developing new claims criteria, establishing administrative and fiscal controls, and beginning the processing of claims.

The amount estimated is considered the minimum required for the fourth quarter, fiscal year 1955, for these purposes. This estimate is based on prior experience in instituting claims programs and will enable the Commission to carry out the program under Public Law 744 through to fiscal year 1956.

#### 01 Personal services, \$153,300

Personal services attributable to Public Law 744 claims program is reflected in the following table showing the relationship to the current year appropriations. The net difference represents the amount of personal service funds required by the Foreign Claims Settlement Commission for the fourth quarter, fiscal year 1955, for activities under Public Law 744, including a proportionate share of terminal leave payments of approximately \$30,000 required to achieve the employment level required for fiscal year 1956.

	3 quarters fiscal year 1955 presently available	4 quarters fiscal year 1955, revised estimates	Difference (Public Law 744), in- crease (+)
Number of positions.....	200	200	-----
Average employment (man-years).....	167	194	+27
Amount.....	\$790,340	\$943,640	+\$153,300
Less personal services (Korean claims).....	87,700	87,700	-----
Net.....	702,640	855,940	153,300

#### 02 Travel employees, \$4,000

It is estimated that \$4,000 will be required during the fourth quarter for travel of employees in connection with the administration of claims programs and provide for the expenses of attendance at meetings.

#### 03-15 Other operating expenses, \$17,700

The expenses under these objects will provide for the communication services, reimbursements to other governmental agencies for use of their facilities and services in carrying out the functions of the Commission, purchases of necessary supplies and equipment, payment of necessary taxes and other expenses necessary for the proper performance of the Commission during the fourth quarter, fiscal year 1955. The total cost will be \$30,000, of which \$17,700 will be for administration of Public Law 744 and the balance of \$12,300 for expenses of Public Law 615.



*Schedule on supplemental appropriation and revised estimates, administrative expenses, FCSC*

1. Present appropriation or estimate	\$915, 000
2. Additional amount available	— 45, 000
3. Total amount available	870, 000
4. Apportionments:	
1st quarter	250, 000
2d quarter	310, 000
3d quarter	210, 000
4th quarter	—
Budgetary reserves	145, 000
5. Total apportionments and reserves	915, 000
6. Obligations:	
1st quarter (actual)	236, 715
2d quarter (estimated)	278, 285
3d quarter (estimated)	255, 000
4th quarter (estimated)	275, 000
7. Total actual and estimated obligation	1, 045, 000
8. Less total amount available	870, 000
9. Estimated supplemental required	175, 000
10. Estimated supplemental included in latest budget	175, 000
11. Date needed:	
For obligations, Apr. 1, 1955.	
For expenditure, Apr. 1, 1955.	
12. Estimated expenditures from supplemental:	
	<i>In budget</i> <i>Revised</i>
In current fiscal year	\$150, 000
In next fiscal year	25, 000
After next fiscal year	—
Total	175, 000
13. Actual obligations last 3 months:	
September	\$82, 714. 77
October	93, 499. 12
November	90, 509. 83

Mr. Clay, do you have a brief statement that you would like to make to us this morning? If so, we want to hear it.

#### GENERAL STATEMENT

Mr. CLAY. We do, sir. We have a prepared statement for the members of the committee which I would like to have incorporated in the proceedings at this point.

Mr. THOMAS. We will put that in the record right now and get down to business.

(The statement referred to is as follows:)

Mr. Chairman and members of the committee, we are appearing before you today to request authorization to transfer from the war claims fund \$130,000, and to use unobligated balances from funds previously authorized, for administrative expenses during the period April 1, 1955, to June 30, 1955. The war claims fund was created by section 13 (a) of the War Claims Act of 1948 (Public Law 896, 80th Cong., approved July 3, 1948).

The reason for this request rests in the fact that many new categories of claims were added to those originally authorized under the War Claims Act and its

amendments by the enactment of Public Law 744 in the closing hours of the 83d Congress. At the same time, no provision was made for administrative expenses necessary in connection with the settlement of such claims. These new claims must be filed within 1 year following the date of enactment of Public Law 744 on August 31, 1954.

At the present time it appears that there will be a balance of \$145,000 remaining after March 31, 1955, out of a total of \$915,000 authorized by the 83d Congress for "expenses necessary to complete the activities of the War Claims Commission." Of this balance, \$45,000 represents a savings effected in the administration of the old claims settlement program, while \$100,000 represents that portion of the aggregate appropriation which the Congress allocated to the initiation of the program provided under the terms of Public Law 615, approved August 21, 1954, for administrative expenses in connection with compensation of Americans detained as civilian internees and prisoners of war during the Korean conflict.

Under the War Claims Act of 1948, as amended, the War Claims Commission, now the Foreign Claims Settlement Commission, was required to complete its activities not later than March 31, 1955. The Commission has taken great pains to carry out the mandate of the Congress in these respects, and yet function within stringent budgetary limitations. The earmarking of this \$100,000 item for expenses in connection with the Korean program has made this doubly difficult.

It will be recalled that the Congress further specifically provided that the funds shall not be available for obligation after March 31, 1955. A recent decision of the Comptroller General has determined that the restriction on the obligation of these funds does not extend to the \$100,000 item because of the manner in which the Congress designated its use, whereas it was determined on the other hand that such restriction would apply to the \$45,000 item.

The Commission will complete its activities with respect to former war claims program on March 31, 1955, but will be unable to administer the new program authorized in Public Law 744 unless the requested funds are made available for payment of administrative expenses in the fourth quarter of the current fiscal year. Our request here today, then, is that the restriction with respect to obligating the \$45,000 item to which I have referred be removed, and that an additional \$130,000 be authorized for transfer out of the war claims fund for administrative expenses for use in getting these new claims programs under way.

The Commission now has on hand 63 claims filed pursuant to the new law. They include claims for detention benefits by certain civilian internees heretofore ineligible to receive such payments, claims of American citizens captured and held as prisoners of war in World War II while serving in Allied forces, claims of American merchant seamen who were detained by hostile forces during World War II and who were ineligible under the basic provisions of the act, and claims for reimbursement for losses resulting from the sequestration of bank accounts and other credits in the Philippines by the Japanese in World War II. These are the four broad categories of claims authorized to be paid from the war claims fund. The Commission has estimated that 2,283 additional claims will be filed in these 4 categories between now and July 1, 1955.

The Commission has presently distributed an aggregate of 2,325 claim applications to known potentially eligible claimants under this program and is receiving inquiries and requests for applications at an average daily rate of 75. Of course, this does not adequately reflect the total number of such inquiries and requests which must be examined, searches made, and consideration given in determining potential eligibility, since many telephone inquiries and congressional calls must be handled and processed. In addition, a great percentage of these inquiries are for immediate rejection. However, the necessary work must be and is being performed.

In closing, I wish to earnestly ask that this committee grant favorable consideration to the request made here today to enable the Commission to make an orderly transition from the completion of the old program on March 31, 1955, to these new categories of claims on April 1, 1955.

I am accompanied by members of the Commission staff who will assist me in furnishing any specific and technical data you may require.

Mr. CLAY. If I may have the opportunity, I would like to summarize the points in the statement for you, sir.

We are requesting funds for the period from April 1, 1955, to June 30, 1955, to enable this Commission to adjudicate six particular types of new claims that have been assigned to the Commission, pursuant

to Public Law 744, which was approved by the Congress on August 31, 1954.

Mr. PHILLIPS. Do you mean that this request is only for a 3-month period?

Mr. CLAY. That is correct. When that legislation was enacted no funds were provided.

Mr. THOMAS. That is not all. You have Public Law 615 also.

Mr. CLAY. There has been earmarked \$100,000 for the cost of administering the Korean war claims. We are asking for authority to obligate \$45,000 estimated savings from this current year, and we are asking for in effect here \$130,000 additional in order to administer the provisions of Public Law 744.

Mr. THOMAS. What you are leading to is there were no appropriated funds. There was a section of the law that earmarked \$100,000 of the old war-settlement funds for Korean purposes. Proceed.

Mr. CLAY. Yes.

Public Law 744 provided that claims be filed within 1 year after the approval of the act, which would be August 31, 1955, and that the new claims be settled by this Commission within the 2-year period from the date of enactment, which would be August 31, 1956. Four months already have elapsed, and three more will probably elapse before funds will be available to enable the Commission to begin the processing of these claims. That would leave only 5 months in which the claimants could file their claims within the provisions of this law, and it should be noted that some 7 months must be deducted then from the 24-month period.

Mr. THOMAS. We will take exception to that statement, but go ahead.

Mr. CLAY. Specifically, Mr. Chairman, for our purposes we need during the fourth quarter of 1955 \$175,000 to administer Public 744.

We are requesting transfer of an additional \$130,000 from the war-claims fund and an authorization to obligate the \$45,000 from unobligated balances from the fund that has been previously authorized.

I feel we are coming today before the committee in the very best faith, although I recognize the fact there has been a considerable amount of skepticism and doubt in the mind of the committee as to the intentions of this Commission.

During the past year we have completed the Panamanian Claims Agreement on time, as of June 30, 1954. We completed the Yugoslav Claims Agreement as of December 31, 1954, and I might suggest to you that when the International Claims Commission took over these categories—of which I was the acting chairman for the time—we had about two-thirds of those claims remaining to be adjudicated. We completed the task.

We have three groups of claims under the War Claims Act remaining to be completed by March 31, 1955. Those include the remaining religious claims, civilian internee claims, and the prisoner-of-war claims.

Mr. THOMAS. Now, you are reverting to the old War Claims Commission, are you not?

Mr. CLAY. Yes.

I come to you today and tell you that these claims will be completed on date. What we are here today asking you for is sufficient funds



to administer Public Law 744 to enable this Commission to complete its work on time on August 31, 1956.

Mr. THOMAS. You certainly can add this Commission to the ever-growing list. The most permanent thing on earth is a temporary Government agency. This is just another practical example.

Mr. CLAY. Mr. Chairman, I do not take issue with your conclusion on that.

#### DUTIES OF COMMISSION UNDER PUBLIC LAW 744

Mr. THOMAS. Tell us what your duties are under Public Law 744.

Mr. CLAY. Public Law 744 imposes upon us the responsibility of administering six types of claims.

Mr. THOMAS. For all practical purposes this grows out of a continuation of the old War Claims Commission.

Mr. CLAY. It arises as a result of activities in World War II; that is correct, but the Foreign Claims Settlement Commission of the United States was established under the President's Reorganization Plan No. 1 of 1954 to establish a permanent commission to invite the filing of claims, to provide continuity in the investigation and administration of claims of all types.

Mr. THOMAS. And the main thing is to give it something to do so as to extend the old War Claims Commission. It started out with World War II people. Now, you have added civilians, banks, and corporations. Where did all of this legislation originate? Did not this originate in the old War Claims Commission? I cannot get that out of my mind.

Mr. CLAY. No, sir. The provision that I am particularly concerned with, since it is under my province in the administration, is the sequestration of bank accounts in the Philippine Islands.

Mr. THOMAS. There is one good thing about it. It limits all the benefits to come from the assets taken from the Japanese, which are now over in the Department of Justice. You are limited to the war claims fund. There cannot be any appropriated funds for administrative expenses or benefits.

#### DUTIES OF COMMISSION UNDER PUBLIC LAW 615

Now, tell us about Public Law 615. What does it do?

Mr. CLAY. Public Law 615 in effect relates to Korean prisoners of war and civilian Americans captured in Korea. Those claims, as you suggested, have already been allocated to the Commission during the last session of the Congress.

Mr. THOMAS. Who pays the benefits awarded there? Out of what funds do you get that?

Mr. CLAY. That comes out of the war claims fund.

Mr. THOMAS. No; it does not. It comes out of the Treasury—appropriated funds.

Mr. CLAY. I beg your pardon. It comes out of appropriated funds.

Mr. THOMAS. Now, here, for example, is a veteran. He has been in the Korean war. He has been badly shot up. Finally when he comes through he is 80 percent disabled. He gets his 80 percent entitlement for disability out of the Veterans' Administration.

Now, here is another veteran, No. 2, of the Korean war. He was not shot up. He was captured, perhaps half starved to death, perhaps



mistreated, and when he finally is discharged from the armed services, if he has any disability he draws from the Veterans' Administration the full entitlement for his disability, but in addition to that he comes now to the Foreign Claims Settlement Commission and he draws compensation for everything under the sun in addition to what he gets out of the Veterans' Administration.

However, the other veteran who was shot down and maimed for life and has 80 percent or 100 percent disability, all he gets is what the Veterans' Administration gives to him in the way of benefits.

Mr. CLAY. Mr. Chairman, I am in no position to differ with you.

Mr. THOMAS. Who thought up this legislation? I think it has come from your Commission. You have grasped everything on earth. You did not stop with what you have now. There is a paragraph in there that directs the Department of Health, Education, and Welfare to figure out just who did what and who got hurt. Of course, the next step is to come in and pay the beneficiaries, I guess.

Mr. CLAY. Well, Mr. Chairman, I am in no position to take issue with you. This Public Law 615 is now on the statute books, and this Commission has been charged with the responsibility of administering the claims.

Mr. THOMAS. Who drew up this legislation? Where did it come from? It is bound to have come from your Commission. I do not know of anyone else who has time to make up these things.

Mr. CLAY. This was reported favorably to the Congress by the Commission and it was requested by the House Interstate and Foreign Commerce Committee to assist in drafting.

Mr. THOMAS. In that particular case, it came out of the War Claims Commission. Anyway, you want to transfer \$45,000 of unobligated funds out of the \$915,000 that you were given to wind it up; lock, stock, and barrel, after the third try on March 31 of this year. You had \$915,000 with which to do that; \$100,000 of the 1955 appropriation has been earmarked for administrative expense of the Korean claims program. You have \$45,000 left of the original \$915,000 less the \$100,000 earmarked for the Korean program. You want to transfer that now for the administrative expense. That \$45,000 is not appropriated funds. It comes out of the revolving fund—we will call it that for lack of a better word—the assets of the Japanese now in the Justice Department. In addition to that, you want \$130,000 more to be transferred out of the war claims fund. It is not to be from appropriated funds?

Mr. CLAY. That is correct.

Mr. THOMAS. What is the status of that fund in the Department of Justice now? There is bound to be a limit as to how much you have.

#### STATUS OF THE WAR CLAIMS FUND

Mr. CLAY. Mr. Chairman, I do not have the information as to what the status of the Alien Property Custodian's fund involved there is. I can give you the figures as to the status of the war claims fund as such, which have been allocated to this Commission.

Mr. THOMAS. All right, what is the status of their funds?

Mr. CLAY. The total deposits to the war claims fund amounted to \$225 million. The balance that is now available from that fund is \$7,773,946.

Mr. THOMAS. Is that going to be sufficient now to last 2 years for the administrative expenses of the new Commission and pay the claims adjudicated by the Commission?

Mr. CLAY. In effect what we are coming before you today for is to ask you to provide funds for us to complete the present workload under the statute that exists. We say to you—we have completed to date two programs. We intend on March 31, 1955, to complete the three remaining programs.

Mr. THOMAS. Are you going to have an unexpended balance over and above that \$175,000 from the old War Claims Commission out of your \$915,000?

Mr. KENNEDY. We would plan to save as much as we can on that balance, Mr. Chairman, but we figured this estimate very closely, and it would come right down to the wire pretty close, sir.

Mr. THOMAS. What other claims do you have filed now under Public Law 744?

Mr. CLAY. At the present moment we have approximately 63 claims, but we are receiving inquiries at the rate of approximately 75 a day.

Mr. THOMAS. This law has been in effect now better than 4 months.

Mr. CLAY. We have had no funds to advertise with to do anything about it.

Mr. PHILLIPS. Advertise what?

Mr. THOMAS. Hunt customers.

Mr. TABER. To circularize the prospective customers.

Mr. CLAY. That is correct; yes.

#### ESTIMATED NUMBER OF CLAIMS

Mr. THOMAS. What is your best guess as to the total number of prospective beneficiaries you have under Public Law 744?

Mr. CLAY. Under Public Law 744 we believe there will be approximately 14,933 claims filed with the Commission.

Mr. THOMAS. Dollarwise, what do you think those 14,933 claims will amount to?

Mr. CLAY. About \$16,714,800.

Mr. THOMAS. Is there a limitation in Public Law 744 as to the total amount they can recover?

Mr. CLAY. There is no limitation.

Mr. THOMAS. Neither for civilians nor military personnel?

Mr. CLAY. There are six categories. The one that is the most difficult to assess is the sequestered bank accounts in the Philippine Islands and other credits.

Mr. THOMAS. I notice one limitation in the act. It is hardly a limitation. It is a limitation to the effect if the funds play out and the claim is in excess of \$500, then what is in excess in each of the \$500 claims will be prorated down.

Mr. CLAY. As to the remaining amount of money that would be available for them, that is correct.

Mr. THOMAS. That all comes out of the Alien Property fund?

Mr. CLAY. That is correct.

Mr. McGUIRE. I believe that we should correct the record with regard to a statement that was made a few moments ago with respect to the balance remaining in the war claims fund. I think the record

will now show that \$7 million would indicate a balance remaining before the inclusion of the Public Law 744 claims, but this statement has Public Law 744 worked into it.

Mr. THOMAS. Public Law 744 is not a part then of the \$7 million?

Mr. CLAY. Of the \$7 million balance.

Mr. McGUIRE. That is the balance after Public Law 744 has been satisfied.

Mr. THOMAS. How much is now in the Alien Property Custodian fund?

Mr. CLAY. In our fund?

Mr. THOMAS. No; the Alien Property Custodian's fund?

Mr. CLAY. I do not know that.

Mr. THOMAS. Your \$225 million came from the overall fund?

Mr. CLAY. That is correct.

Mr. THOMAS. How much is left in the overall fund?

Mr. CLAY. I do not know.

Mr. McGUIRE. There was an original estimate of \$550 million. How much has been paid back to eligible claimants before the Office of Alien Property we do not know. We have not been able to get a firm figure from the Department of Justice on what might in the future become available for deposit to the war claims fund. Those figures are not available to us.

Mr. THOMAS. I believe you stated that there are about 14,000 eligible claimants under Public Law 615.

Mr. CLAY. Under Public Law 615 there would be approximately 14,425 potential claimants.

Mr. THOMAS. What would be the ultimate cost of that?

Mr. CLAY. The ultimate cost of that would be \$12 million.

Mr. THOMAS. That is all appropriated funds?

Mr. CLAY. Correct.

Mr. THOMAS. Does that \$12 million include your administrative expense, or is that only benefits?

Mr. CLAY. It does not include the administrative expenses.

Mr. THOMAS. What do you think your administrative expense will be in addition to that \$12 million.

Mr. CLAY. Our past experience has been that the administrative expenses will run between 3 and 5 percent.

#### NUMBER OF PERSONNEL ON ROLLS

Mr. THOMAS. How many persons do you have on the payroll now? Your estimates are somewhat conflicting. How many do you have as of today?

Mr. CLAY. At the present time, as of January 11, 1955, we have 172 personnel on the payroll. For the period we are asking for funds, we will have 167 on the payroll.

Mr. THOMAS. With these additional funds that you are going to have, not \$175,000 but in truth and in fact \$275,000, how many people are you going to keep on the payroll during the last quarter?

Mr. CLAY. We are going to keep on the payroll 167 people.

Mr. THOMAS. Why do you need the same number of people to handle this new business? Your workload was about four times as great before.

Mr. CLAY. That is not correct.



Mr. THOMAS. How much greater was it?

Mr. CLAY. In the second period of this quarter we employed 225 people. In the third quarter we will have employed 172 individuals, and for the fourth quarter we will employ 167.

Mr. THOMAS. Your justifications show 200.

Mr. KLEIZO. May I make a remark on that? That 200 represents approved positions, sir, positions that have been authorized to be filled during the year.

Mr. TABER. What kind are the others?

Mr. KLEIZO. The 167 actually represent bodies that we will need for the fourth quarter.

Mr. THOMAS. How many claims are you going to dispose of during the third quarter?

Mr. CLAY. We are going to dispose of the remaining claims of the religious war claims, civilian internees, and the remaining prisoners of war.

Mr. THOMAS. I understand that, but what is the number?

Mr. CLAY. 27,134.

NOTE: Correct figure supplied later is 16,168.

#### ANTICIPATED WORKLOAD

Mr. THOMAS. And your total workload under Public Law 615 over a period of years will only be 14,000 claims, and you will not have anything like that under Public Law 744.

Mr. CLAY. A great deal of the work on the remaining claims load has been done. The primary adjudication has been completed. The appeals work is in the process of being disposed of now. We are now in the process of closing out the remainder of the claims.

Mr. THOMAS. How many cases do you think you are going to have under Public Law 744?

Mr. CLAY. For what period?

Mr. THOMAS. The fourth quarter.

Mr. CLAY. The grand total for the fourth quarter we estimate will be 4,400 claims.

Mr. THOMAS. How do you break that down as between Public Law 615 and Public Law 744?

Mr. CLAY. Under Public Law 744 we believe we will have to handle 2,238 claims.

Mr. THOMAS. And you have 63, and the law has been in operation 4 months?

Mr. CLAY. Those are the actual claims that have been filed. We have been receiving on the average 75 mail inquiries a day as to the law since enactment.

Mr. THOMAS. Assume that your figures are correct. Multiply by two. Do you anticipate that you are going to have 2,000 claims? Say that you are going to have 4,000. At best, you would not have more than 5,000 claims to dispose of, and yet with your present staff you have been disposing in the third quarter, how many claims did you say—16,000?

Mr. CLAY. Under Public Law 615, since it was enacted, we received 3,932 claims.

Mr. THOMAS. How do you get around your own arithmetic? In this third quarter you have disposed of 16,000 claims. If you multiply



your own figures, your anticipated figures for the fourth quarter, you will not have 5,000 claims, and with the same amount of money.

Mr. CLAY. I can explain that.

Mr. THOMAS. Do it right quick. You are getting down to all that is involved here.

Mr. CLAY. This is a closing-out process. These claims are going to be disposed of by March 31, 1955. The herculean task of getting through the claims and getting them ready for final issuance has practically been done. We are now in the process administratively of closing the cases out and terminating the program.

Under the two new laws we have a completely different proposition. They have to be investigated. We have to contact the necessary sources and individuals that are interested in these programs and set up a new claims program.

Mr. THOMAS. Let me interrupt you right there. If your big heavy workload under the old War Claims Settlement Act is virtually over and you are just now winding up, what have the people been doing for the last 2 or 3 months? Have they been investigating?

Mr. CLAY. No, sir. We have been doing a tremendous job of taking appeals in these cases and hearing appeals, which is provided for by law.

Mr. THOMAS. You confuse me. In one breath you tell me it is virtually over and in the next breath you say you have been going night and day.

Mr. CLAY. My statement was relative.

Mr. TABER. I do not understand all of this. How many claims have you presently on file that have not been disposed of?

Mr. CLAY. Under what set of laws?

Mr. TABER. All of them.

Mr. CLAY. Under the programs that are due to be disposed of on March 31, 1955, we have 16,168 claims yet to be disposed of. Under Public Law 615 we will have received in this period, and by the fourth quarter, we anticipate 3,992 claims.

Mr. THOMAS. To date, under Public Law 615, you have 3,992?

Mr. KENNEDY. We actually have 3,932.

Mr. CLAY. Under Public Law 744, the merchant seamen, we now actually have in hand 45 claims. Under the civilian internee provision of Public Law 744 we have received 32. We have received, as I mentioned before, a great volume of inquiries as to this law. We have had no funds with which to distribute claims applications, or information concerning the processing of these claims. We have not set up any procedure to handle these. At the moment these inquiries are lying fallow before the Commission because we have no funds, and we have been advised we cannot use funds from the war claims fund at the present time, to administer or do anything about these claims.

We have projected an estimated workload for the fourth quarter on which we are here before you, and for Public Law 744 we anticipate that we will receive 2,238 claims under the 6 categories, and under Public Law 615, the 2 categories under that will be 4,400 claims.

Mr. TABER. You have 167 people working on the whole job now?

Mr. CLAY. We have at the present time 172 people on the payroll. We propose for the fourth quarter to employ 167 people for these 2 general groups of claims.

Mr. TABER. What do you propose to do that you did not propose to do when you came up here before?

Mr. CLAY. When we came up here before, we did not have the legislation covering Public Law 744, or Public Law 615 in our considerations.

Mr. TABER. How big are these claims?

Mr. CLAY. Under Public Law 744 there are six categories. The first relates to military and Federal employees under the Federal Compensation Act, or Missing Persons Act, or the War Hazards Act. Then No. 2 provides certain benefits to surviving husbands previously excluded because they were not dependents. No. 3, surviving parents not previously considered. No. 4 is the merchant seamen. No. 5, which is a large group of claims, is the sequestration of bank-account cases in the Philippine Islands. No. 6 is the American citizens who served in Allied armies and were held as prisoners of war. That is the group of Public Law 744 claims.

Under Public Law 615 we have the Korean prisoners of war group, and we have the group providing for benefits to civilian American nationals captured in Korea.

Mr. TABER. You did not tell me how much they would average.

Mr. CLAY. I could give you—

Mr. TABER. Do you not know?

Mr. THOMAS. There is a limitation in the law.

Mr. ANDREWS. Whatever they can prove.

Mr. CLAY. Under the sequestration of bank accounts we believe in this quarter we will receive 1,037 claims for which we will pay in awards, estimated, \$1,176,000.

Mr. TABER. About \$1,000 apiece?

Mr. CLAY. That is just for the fourth quarter. It would be about \$1,600 a claim.

Mr. TABER. I have a thousand claims at \$1,500,000—

Mr. CLAY. You are correct. It would be about \$1,100 per claim.

Mr. TABER. How much do you propose to spend of this for solicitation of claims?

Mr. CLAY. For solicitation a small amount, but the cost of administering the program is hard to estimate. On this particular one, we do not have it broken down.

Mr. TABER. We have a little curiosity to find out.

Mr. KENNEDY. We have not made an allocation on that. What we do is to use the administrative personnel to actually do that work on a part-time basis. We have not actually made an allocation as to an estimate of the cost of that.

Mr. THOMAS. I did not get quite clear in my mind the total anticipated claims you would have under Public Law 744.

Mr. CLAY. Under Public Law 744 for the fourth quarter we anticipate—

Mr. THOMAS. We have that, You anticipated about 2,000.

Mr. CLAY. Yes.

Mr. THOMAS. But what is the overall?

Mr. CLAY. 14,933 claims.

Mr. THOMAS. And the overall picture under Public Law 615 is what?

Mr. CLAY. Under Public Law 615, 14,425.

Mr. THOMAS. At this point in the record we will insert a table showing the number of claims filed as of today for Public Laws 615 and 744, the ultimate number of claims that you anticipate will be filed under Public Laws 615 and 744, and then give us a third column showing the ultimate cost of all the claims under Public Laws 615 and 744. Is that clear?

Mr. CLAY. Yes.

(The information requested is as follows:)

*Receipt of claims under Public Law 615 and Public Law 744 to Jan. 10, 1955*

	Filed	Anticipated	Cost
Public Law 615, Korean POW-----	3,932	14,425	\$12,000,000
Public Law 744-----	77	14,933	16,714,800
Total-----	4,009	29,358	28,714,800

Mr. PHILLIPS. You evidently then have no estimate of the cost per claim of settlement?

Mr. CLAY. No; we do not, sir. They vary to such an extent from a very small prisoner-of-war claim to a very complicated sequestration account of one of our large American banks, or a large Philippine Island bank, which has paid in good faith their American depositors and then they become the subrogees to the right to claim for themselves.

COST OF ADMINISTRATION

Mr. PHILLIPS. Go back to the cost of administration. You estimate, according to this request, that for the fourth quarter of the fiscal year 1955 you will spend \$275,000 for administrative expenses; is that right?

Mr. CLAY. That is correct.

Mr. PHILLIPS. What do you estimate the cost of the third quarter will be which will end on March 31?

Mr. KLEIZO. The estimated cost altogether will be \$255,000.

Mr. PHILLIPS. Go back to the second quarter.

Mr. KLEIZO. I do not have those figures broken out, but I have the first and second quarters combined.

Mr. PHILLIPS. All right.

Mr. KLEIZO. They will run approximately \$510,000.

Mr. PHILLIPS. \$510,000 divided by 2 is \$255,000. Can you go back and give me what it cost for your last fiscal year, 1954?

Mr. KLEIZO. Yes.

Mr. PHILLIPS. Do you have that broken down by quarters?

Mr. KLEIZO. No. It is an annual figure.

Mr. PHILLIPS. Give me the figure for the year.

Mr. KLEIZO. We do not have it here, but we can provide that for you.

Mr. PHILLIPS. I wish you would.

(The information requested is as follows:)

Approximately \$850,000.



## AMOUNT SET ASIDE FOR TERMINAL LEAVE

Mr. THOMAS. May I interrupt you? When you get to your quarters, you will find the \$275,000 they have for this last quarter is about \$25,000 more than they spent in any other quarter. The question is, How much terminal leave is there?

Mr. PHILLIPS. How about this terminal-leave situation? Have you set aside money? When you ask for \$275,000, have you set aside money?

Mr. CLAY. Yes.

Mr. PHILLIPS. How much?

Mr. CLAY. \$30,000.

Mr. PHILLIPS. \$30,000 as terminal leave, so you are really asking for \$245,000.

Mr. CLAY. That is correct.

## EXTENSION OF LIFE OF THE COMMISSION

Mr. PHILLIPS. Now I am interested in the number of cases, as is the chairman. How many extensions of your life have you had?

Mr. CLAY. Well, are we talking about the extensions which would terminate the claims on March 31, 1955?

Mr. PHILLIPS. I am talking about what started as the War Claims Administration, and now, in order to cover a broader field, is the Foreign Claims Settlement Commission.

Mr. CLAY. Prior to the President's reorganization plan I believe the War Claims Commission's life was extended on three different occasions.

Mr. PHILLIPS. Each time the life was extended.

Mr. CLAY. Could I correct that? It was twice.

Mr. PHILLIPS. It was extended twice. Each time a new set of claims were filed, am I right, an additional set of claims?

Mr. CLAY. That is not correct. That was just to complete the claims' load.

Mr. PHILLIPS. You had better find out about that.

Mr. McGUIRE. The only time it was extended by a new category of claims was under Public Law 303 of the 82d Congress.

Mr. PHILLIPS. I do not necessarily mean a new category. You had a certain number of claims filed and an expiration date was announced, and the tide of claims ceased to flow. You did not get through with it and Congress reviewed it, and in came more claims in the same category; is that right?

Mr. McGUIRE. That is right.

Mr. PHILLIPS. There is no way of figuring out how much you got each time.

Mr. McGUIRE. I do not have those figures. I would imagine they would be available.

Mr. PHILLIPS. If they are available I would like very much to see them, because I think that is significant at the present time.

(The information requested will be supplied to the committee later.)



## SOLICITATION OF CLAIMS

Mr. PHILLIPS. Will the General Counsel tell us where you have the authority in law to advertise yourselves and solicit business?

Mr. McGUIRE. The only authority, as you and I have reviewed the matter before—

Mr. PHILLIPS. We have taken a dim view of this. We do not concur in your interpretation of this act.

Mr. McGUIRE. I so gathered previously. The only such admonition was contained in Public Law 16, which amended Public Law 896 of the 80th Congress.

Mr. PHILLIPS. That is the same one that we have argued about before. In spite of the fact that the Congress does not take the same view of the act as you, you continue to use that as an authority to advertise?

Mr. McGUIRE. I think the terms "advertising" and "soliciting" have been slightly misused here this morning.

Mr. PHILLIPS. What would you call it?

Mr. McGUIRE. We are not soliciting as such. The only thing we have done in relation to solicitation refers to Public Law 615, and we have done that in an attempt to save money and not to spend it, in this sense—that the Department of Defense has furnished the Commission with a roster of former prisoners of war in the Korean conflict and rather than issue claim applications in bulk to create a tremendous workload, we have individually solicited the persons listed on that roster. This is the only solicitation that has been done. With respect to Public Law 744 there is no solicitation program, and the only program that will be followed by the Commission in that respect would be to request the assistance of the interested groups of claimants to get their members to file their claims with the Commission. Other than that, the only thing that would be done by the Commission would be to issue press releases and things of that nature.

Mr. PHILLIPS. I do not know whether you heard that or not, Mr. Chairman, but this is not advertising or solicitation. It is merely notifying a large list of people that you are open and ready for business, and inviting the various groups to circularize their own members and tell them that you are ready and open for business.

Mr. THOMAS. Yes; open for business.

Mr. PHILLIPS. It seems to be a distinction without much difference.

Mr. THOMAS. It reminds me of the little hotel in the town that I was born in, of ringing the dinner bell and saying, "Here it is boys."

## BACKGROUND AND ORGANIZATION OF THE COMMISSION

Mr. ANDREWS. When was this Commission created, Mr. Chairman?

Mr. CLAY. July 1, 1954.

Mr. ANDREWS. This Commission?

Mr. CLAY. The Foreign Claims Settlement Commission.

Mr. ANDREWS. The Foreign Claims Settlement Commission?

Mr. CLAY. Yes, sir; that is right.

Mr. ANDREWS. That is different from the War Claims Commission?

Mr. CLAY. That is correct.

Mr. ANDREWS. When was the War Claims Commission created?

Mr. McGUIRE. On July 3, 1948, the basic act was approved. The Commission was created or came into being on September 14, 1949.

Mr. CLAY. That was a consolidation of the International Claims Commission of the United States, of which I was Acting Chairman, and the War Claims Commission, of which Mr. Whitney Gilliland was Chairman and who is the Chairman of this new Commission, the Foreign Claims Settlement Commission.

Mr. ANDREWS. The Commission that you represent now is the Foreign Claims Settlement Commission?

Mr. CLAY. The Foreign Claims Settlement Commission of the United States; yes, sir.

Mr. ANDREWS. When was it created?

Mr. CLAY. It was created by virtue of the President's Reorganization Act.

Mr. THOMAS. Under Reorganization Plan No. 1.

Mr. CLAY. Yes, Reorganization Plan No. 1 of 1954, and it was activated on July 1, 1954.

Mr. ANDREWS. As a matter of fact, it is just the same Commission that was known as the War Claims Commission, is it not?

Mr. CLAY. This new Commission had transferred to it all the duties and responsibilities of the War Claims Commission and the International Claims Commission, as well as the functions of the Commission provided for in the public resolution approved August 4, 1939 (53 Stat. 1199), relating to the Litvinov assignment; that is correct; yes, sir.

Mr. ANDREWS. Was there any provision made in the act creating the War Claims Commission that provided for its termination?

Mr. CLAY. Yes, sir.

The War Claims Commission, as such, terminated and its functions, duties, and responsibilities were transferred to the Foreign Claims Settlement Commission.

Mr. ANDREWS. When did the War Claims Commission end?

Mr. CLAY. On June 30, 1954.

Mr. ANDREWS. Then the Foreign Claims Settlement Commission came into existence?

Mr. CLAY. That is correct; yes, sir.

Mr. ANDREWS. With the same personnel that the War Claims Commission had?

Mr. CLAY. No, sir.

Mr. ANDREWS. How many changes did you have in personnel?

Mr. CLAY. There were 3 Commissioners provided for under the International Claims Commission, and there were 3 Commissioners provided for under the War Claims Commission. When they were consolidated the act provided for the appointment of 3 Commissioners to administer the functions of the Foreign Claims Settlement Commission, so it merged 6 Commission positions in the new Commission, which is 3 in number.

Mr. ANDREWS. You had three Commissioners for the War Claims Commission?

Mr. CLAY. That is correct.

Mr. ANDREWS. And you have three Commissioners for the Foreign Claims Settlement Commission?

Mr. CLAY. Yes, sir; that is correct.

Mr. ANDREWS. How many of the present Foreign Claims Settlement Commissioners served as Commissioners with the War Claims Commission?

Mr. CLAY. Two of them, sir.

Mr. ANDREWS. So, you had a change of one?

Mr. CLAY. Yes, sir.

Mr. ANDREWS. At the beginning of the Foreign Claims Settlement Commission what kind of a turnover in personnel did you have?

Mr. CLAY. Our Executive Director and our General Counsel are the same. We have had a merging of the two staffs. We have eliminated some 56 positions to get down to the level of personnel required to do the work anticipated under Public Laws 744 and 615.

Mr. ANDREWS. As a matter of fact, with the exception of 2 or 3 topflight positions you still have the same personnel in the Foreign Claims Settlement Commission that you had in the War Claims Commission?

Mr. KENNEDY. Beginning on July 1 when the Foreign Settlement Claims Commission came into being we absorbed approximately 50 employees who were formerly with the International Claims Commission, which ceased to exist on June 30. We carried those employees we had plus those employees through December 31, at which time two categories of claims, the Panamanian and the Yugoslav property claims were terminated.

Mr. ANDREWS. Is that a third Commission, the International Claims Commission?

Mr. CLAY. No; it is the second Commission.

Mr. ANDREWS. When you say the International Claims Commission you are referring to the same Claims Commission today, the Foreign Claims Settlement Commission?

Mr. CLAY. No, sir.

Mr. KENNEDY. On June 30 one Commission was the International Claims Commission.

Mr. ANDREWS. When was it created?

Mr. CLAY. It was created in 1949.

Mr. ANDREWS. At the same time the War Claims Commission was created?

Mr. CLAY. Generally speaking, about a year later, sir.

Mr. ANDREWS. Were they two separate Commissions, the War Claims Commission and the International Claims Commission?

Mr. CLAY. Yes, sir.

Mr. ANDREWS. When the War Claims Commission expired on June 30, 1954, how many employees did you have with the War Claims Commission, can you tell me?

Mr. CLAY. You mean the Foreign Claims Settlement Commission?

Mr. ANDREWS. No, the first Commission, the War Claims Commission. We are talking about when that expired on June 30, 1954.

Mr. KENNEDY. We had 174.

Mr. ANDREWS. How many of those 174 employees are now with the Foreign Claims Settlement Commission?

Mr. KENNEDY. We have on the rolls today 172. When we had a reduction in force we separated some of the employees who were formerly with the International Claims Commission and some who were with the War Claims Commission.



I would have to have a compilation made to give you the exact figure on that.

Mr. CLAY. I may be wrong, and I would like to correct myself on the record as to the exact figure, but I would say, Mr. Congressman, that the War Claims Commission staff as of today has been reduced by 30 personnel of the original number of War Claims Commission personnel that existed on June 30, 1954, the date of expiration of that Commission.

#### DATE OF EXPIRATION OF COMMISSION

Mr. ANDREWS. Do you have any idea as to when this Foreign Claims Settlement Commission will expire?

Mr. CLAY. It is, under the present legislation, considered to be a permanent Commission.

Mr. ANDREWS. Permanent?

Mr. CLAY. Yes.

Mr. ANDREWS. I want to ask you if you are familiar with this testimony on page 872 of the record last year.

Mr. CLAY. Let me clarify this. There is presently, Mr. Congressman, before the Congress, or there will be soon, legislation involving property funds of Hungary, Rumania, and Bulgaria. Then there is the Lombardo agreement for which the Republic of Italy has deposited with the United States \$5 million to compensate American claimants not otherwise compensated under the Italian Peace Treaty with respect to claims arising outside of the territorial limits of the Republic of Italy. Then there is the Litvinov assignment fund in the amount of \$9 million. These were various assignments that were collected within the Department of Justice and now comprise a fund of approximately \$9 million.

Mr. ANDREWS. What percentage of the claims or damage do you pay?

Mr. CLAY. These are property claims as distinguished from prisoner claims. On the dollar-award basis in Panama we paid about 92 cents, and under the Yugoslav arrangement about 85 cents.

Mr. ANDREWS. Were those claims from appropriated funds?

Mr. CLAY. No, sir. In both cases they were funds which were created by negotiation of the Government of the United States with the several foreign countries involved. In the case of Panama it was a fund created in the amount of \$400,000, and in the case of Yugoslavia it was created out of the blocked assets of Yugoslavia in the amount of \$47 million, of which \$17 million was withheld for the purpose of creating a claims fund.

Mr. ANDREWS. Under Public Law 744 will you pay any claims for damages to property?

Mr. CLAY. No, sir, we will not.

Mr. ANDREWS. What about under 615?

Mr. CLAY. No, sir.

Mr. ANDREWS. Claims under those two laws will be paid from appropriated funds?

Mr. CLAY. No, sir, none of those claims will be paid from appropriated funds.

Mr. ANDREWS. What type of claims will they be which will be paid from appropriated funds?



Mr. CLAY. They will be for freeing prisoners of war and civilian Americans captured in Korea. The Public Law 744 funds will not be appropriated, but they will be derived from the war claims fund.

Mr. ANDREWS. Will they cover claims for damages to property?

Mr. CLAY. No, sir, they will not.

Mr. PHILLIPS. The only thing you have had to do with the Philippine part was with these sequestration claims? We also have a Philippine War Damage Commission.

Mr. CLAY. That has been terminated.

Mr. PHILLIPS. That is out?

Mr. CLAY. Yes, sir, that is out. At the present time the only thing we have in the Philippines is this present program.

Mr. THOMAS. Thank you very much, gentlemen.

# SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE APPROPRIATIONS

JAMIE L. WHITTEN, MISSISSIPPI, Chairman

CLARENCE CANNON, Missouri

H. CARL ANDERSEN, Minnesota

FRED MARSHALL, Minnesota

WALT HORAN, Washington

TUESDAY, JANUARY 11, 1955.

## DEPARTMENT OF AGRICULTURE

### COMMODITY CREDIT CORPORATION

#### WITNESSES

EZRA T. BENSON, SECRETARY OF AGRICULTURE

TRUE D. MORSE, UNDER SECRETARY OF AGRICULTURE AND  
PRESIDENT, COMMODITY CREDIT CORPORATION

WESLEY A. D'EWART, ASSISTANT TO THE SECRETARY OF AGRICULTURE

ROBERT L. FARRINGTON, SOLICITOR

JAMES A. McCONNELL, ADMINISTRATOR, COMMODITY STABILIZATION SERVICE

WALTER C. BERGER, ASSOCIATE ADMINISTRATOR, COMMODITY STABILIZATION SERVICE

PRESTON RICHARDS, DEPUTY ADMINISTRATOR, PRICE SUPPORT, COMMODITY STABILIZATION SERVICE

FRANK R. McGREGOR, DEPUTY ADMINISTRATOR, OPERATIONS, COMMODITY STABILIZATION SERVICE

R. P. BEACH, ASSISTANT DEPUTY ADMINISTRATOR AND BUDGET OFFICER, COMMODITY STABILIZATION SERVICE

JOSEPH C. WHEELER, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. Gentlemen, we are glad to have you with us for the hearing before this committee on this supplemental item.

We shall first insert in the record House Document No. 59.

(The House Document is as follows:)

[House of Representatives, 84th Cong., 1st sess., Document No. 59]

DRAFT OF PROPOSED PROVISION PERTAINING TO THE DEPARTMENT OF AGRICULTURE—COMMUNICATION FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A DRAFT OF A PROPOSED PROVISION PERTAINING TO THE FISCAL YEAR 1955 FOR THE DEPARTMENT OF AGRICULTURE

THE WHITE HOUSE,  
Washington, January 10, 1955.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to transmit herewith for the consideration of the Congress a draft of a proposed provision pertaining to the fiscal year 1955 for the Department of Agriculture.

The details of this proposed provision, the necessity therefor, and the reasons for its submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

DWIGHT D. EISENHOWER.

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington 25, D. C., January 7, 1955.

THE PRESIDENT,  
The White House.

SIR: I have the honor to submit herewith for your consideration a draft of a proposed provision pertaining to the fiscal year 1955 for the Department of Agriculture, as follows:

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

*The limitation under this heading in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955, on the amount available for administrative expenses of the Corporation is increased from "\$18,000,000" to "\$25,290,000".*

An increase of \$7,290,000 will be required in the administrative-expense limitation of the Commodity Credit Corporation to provide for increased administrative costs as a result of increased loan volume and to perform storage, inspection, maintenance, accounting, and other work in connection with the management and disposition of inventories acquired by the Corporation under the price-support program.

The Corporation has the task of managing and disposing of large inventories of agricultural commodities which have accumulated during the past few years and at the same time making settlements with thousands of producers, elevators, warehousemen, and others, incident to the acquisition of additional inventories from past-year crop operations. In addition, the Corporation must be in a position to provide price support through loans, purchases, and other means on current-year crops. The need for this increase arises principally out of an underestimation of (1) the complexity and amount of work involved in managing the disposing of huge inventories of agricultural commodities acquired under the price-support program, and (2) the volume of loan work in connection with 1954 crops of price-supported commodities.

On July 26, 1954, I apportioned the amounts available to the Commodity Credit Corporation for administrative expenses in the fiscal year 1955 on a basis which would indicate a necessity for an increase in the administrative-expense limitation. This action was reported to the Speaker of the House of Representatives and to the President of the Senate by my letters of July 26, 1954, in accordance with the provisions of paragraph 2 of subsection (e) of section 3679 of the Revised Statutes, as amended.

I recommend that the foregoing proposed provision be transmitted to the Congress.

Respectfully yours,

ROWLAND HUGHES,  
Director of the Bureau of the Budget.

MR. WHITTEN. We shall insert in the record at this point pages 1 through 8 of the justifications, table 1, and pages 9 through 15 of the justifications.

(The information is as follows:)

DEPARTMENT OF AGRICULTURE, COMMODITY CREDIT CORPORATION

*Administrative Expenses, Commodity Credit Corporation*

Limitation to date.....	\$18, 000, 000
Obligations to Nov. 30, 1955.....	9, 901, 600
Expenditures to Nov. 30, 1955.....	7, 973, 761
Budget Estimate next fiscal year.....	26, 000, 000
Request: For 3 months from March 30, 1955.....	7, 290, 000
Employment:	
Average Number current limitation.....	3, 297
Average Number involved in this estimate.....	1, 374
Man-Month employment November, 1954.....	4, 292

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The increase of \$7,290,000 consists of (a) an increase of \$6,392,000 due to the estimated increase in the volume of price support activity over the volume of activity upon which the 1955 Budget Estimates were predicated and, (b) an increase of \$898,000 for increased responsibilities and workload of the State Agricultural Stabilization and Conservation Offices. *Almost ninety percent of the total increase requested is due to changes in estimated program volume and is sharply demonstrated by the comparison of the volume upon which the 1955 Budget Estimates were predicated with current estimates of program volume.*

Commodities	Budget estimate 1955	Current estimate	Percentage change
Loans made:			
Corn (bu.).....	275, 000, 000	260, 600, 000	-5
Cotton (bales).....	2, 030, 000	2, 525, 000	+24
Wheat (bu.).....	310, 000, 000	400, 000, 000	+29
Other grains (bu.).....	176, 000, 000	267, 100, 000	+52
Acquisitions:			
Corn (bu.).....	295, 000, 000	367, 000, 000	+24
Cotton (bales).....	1, 365, 000	1, 675, 000	+23
Wheat (bu.).....	250, 000, 000	362, 400, 000	+45
Other grains (bu.).....	107, 600, 000	260, 733, 000	+142
Dairy products (lb.).....	650, 000, 000	1, 150, 000, 000	+77
Dispositions:			
Corn (bu.).....	120, 000, 000	200, 938, 690	+67
Cotton (bales).....	635, 601	327, 633	-48
Wheat (bu.).....	135, 000, 000	225, 012, 638	+67
Other grains (bu.).....	25, 760, 000	120, 737, 968	+330
Dairy products (lb.).....	916, 000, 000	1, 118, 947, 990	+22
Total cost value:			
Loans made.....	\$1, 954, 566, 000	\$2, 381, 951, 000	+22
Acquisitions.....	2, 074, 391, 000	3, 244, 177, 000	+56
Dispositions.....	1, 397, 111, 000	2, 332, 428, 000	+67

*Loans Made.*—When the 1955 budget estimates covering the administrative expense limitation of the Commodity Credit Corporation were prepared they were based on a program volume relating to crops most of which were not even planted. The Crop Report released on November 10, 1954, indicated that production prospects are again at a near-record level. In addition, the latest report of the volume of 1954 grains placed under price support indicates that these grains are going under price support at a higher rate than occurred during the previous years. Consequently, except for corn, the production of which has been reduced by the recent drought, the estimates of the amount of grain to be placed under price support have been revised upward. A 24-percent increase in cotton loans over the previous estimates is also indicated.

*Acquisitions.*—The estimated increase in acquisitions is primarily due to (1) the greater volume of collateral forfeited in connection with prior year loan programs for corn and cotton, (2) the likelihood that the decrease in the support price of certain of the 1955 crops will result in increased takeover of 1954 crops of wheat and other grains, and (3) a larger volume of dairy products to be purchased as a result of a larger production of milk than previously estimated.

*Dispositions.*—The estimated increase in dispositions results primarily from a more aggressive sales policy implemented by a number of recent legislative enact-



ments which considerably broadened the disposal authority of the Corporation. These include (1) title I of the Agricultural Trade Development and Assistance Act of 1954, which authorizes the sale of surplus commodities for foreign currency. It is estimated that \$400 million worth of commodities will be disposed of in connection with this program. (2) Title II of this same act which authorizes the use of CCC surplus commodities in meeting famine or other urgent relief requirements of friendly nations. It is estimated that \$120 million worth of commodities will be disposed of in connection with this program. (3) Barter and exchange activity which has been emphasized and implemented by new legislation, particularly section 303 of the Agricultural Trade Development and Assistance Act of 1954. During the fiscal year 1954, \$29,436,781 worth of commodities were involved in the barter and exchange programs of the Corporation. It is anticipated that this program will increase to \$200 million in the fiscal year 1955. (4) An amendment to section 416 of the Agricultural Act of 1949 permits donation of commodities to prevent waste and authorizes the Commodity Credit Corporation to pay reprocessing, packaging, transporting handling and other charges. Cost value of donations of butter, nonfat dry milk, cheese and cottonseed oil are estimated at \$262 million, which is an increase of \$47 million over the original estimate. (5) An amendment to section 407 of the Agricultural Act of 1949 authorizing the donation of commodities to distress and disaster areas in the United States. It is estimated that \$64,430,000 worth of feed grains will be disposed of in connection with the current drought program.

A summary of the \$7,290,000 proposed increase is as follows:

(a) Due to changes in estimates of program volume:

(1) CSS Commodity Offices:

(a) Transfer of warehouse inspection from counties-----	\$442, 000
(b) Other-----	4, 715, 445

Total CSS Commodity Offices----- \$5, 157, 445

(2) Transfers to AMS:

(a) Special School Milk Program----	185, 000	
(b) Section 416 disposals-----	104, 800	289, 800

(3) Washington divisions and their field offices----- 727, 755

(4) Printing----- 217, 000

Total, due to changes in program volume----- 6, 392, 000

(b) Due to increased responsibilities and workload of the State offices:

(1) Supervision of county offices-----	710, 000
(2) Grain storage Structure Program-----	188, 000

Total, State offices----- 898, 000

Total increase----- 7, 290, 000

It is estimated that the corporation's administrative expense limitation will be fully obligated in March.

#### (A) DUE TO CHANGES IN ESTIMATE OF PROGRAM VOLUME

*Commodity Office Increase.*—The major portion, or \$5,157,445, of the increase of \$6,392,000 will be required by the CSS Commodity Offices. The workload and expenses of these offices vary directly with the volume of commodities handled and are estimated on the basis of a detailed work measurement reporting system. The major portion of the workload is comprised of the transactions relating to the acquisition, management, and disposition of inventories and consists of the negotiation and allocation of storage space, inspection of storage facilities and commodities, payments of warehouse charges and amounts due on settlements of loading orders, issuance and control of loading orders for the disposition and reconcentration of commodities, handling of bills of lading, payment of freight bills, and negotiations, payments and billings in connection with the purchases and sales of the commodities. These inventory management activities and the related accounting activities comprise approximately 70 percent of the total workload of these offices. Tables 1 and 2 attached reflect the estimated volume of program operations for the fiscal year 1955 and the volume in terms of man-year



requirements for the CSS Commodity Office operations. In converting the workload into man-year requirements for these offices, the same productivity rates were applied that were used in determining current fund allocations for these offices. It should also be noted that these productivity rates are approximately 24 percent higher than the rates used in the budget estimates for the fiscal year 1955 and approximately 7 percent higher than the rates actually attained during the fiscal year 1954.

The CSS Commodity Office increase also includes funds for changes in warehouse examination responsibilities. Because of the increased program volume and the tremendous quantity of grain inventories accumulated during the fiscal years 1953 and 1954, it became necessary this fiscal year to strengthen and improve the grain warehouse examinations conducted by the corporation. Prior to this fiscal year, responsibility for grain warehouse examination has been performed in part by the State and county offices and in part by the CSS Commodity Offices. Generally, in the past, CSS Commodity Office employees have examined the terminal and subterminal warehouses and county office employees have examined the country warehouses. It is now contemplated that responsibility for examination of all warehouses other than CCC-owned bins will be placed in the CSS Commodity Offices. This will increase the workload of the CSS Commodity Offices by approximately 8,000 warehouses and the expenses by \$442,000. This additional workload and greater efficiency is reflected in line item 03 of the attached table 2. This latter amount would be largely offset by lower CCC costs at the county level which are paid from capital rather than administrative funds.

With the tremendous increase in CCC grain inventories, only the most coordinated and straight-line authority for warehouse examination work will adequately protect the interests of Government in the grain it owns. The State and county ASC offices have the huge job of administration of price support, acreage control, and other programs at the farm level. Since the warehouse examination work, in most cases constitutes only part-time work of county employees not essentially trained in this type of work, it is felt that this function will be more effectively performed by more qualified employees devoting full-time to warehouse examination.

In addition to the greater efficiency which should result by having full-time employees assigned to this function it is believed that a more coordinated and systematic examination will follow since supervision, instructions, and procedures will originate in 5 rather than 48 locations. It is believed also that examination of warehouses by other than local employees will not only have a more restraining effect upon warehousemen who might be tempted into wrong-doing, it will also foster improved relationships between the warehousemen and CCC.

*The remainder of the increase due to changes in estimates of program volume (\$1,234,555) consists of:*

(1) Transfers to Agricultural Marketing Services, (\$289,800)

(a) Of this amount \$185,000 is required to carry out the special school milk program authorized by an amendment to Section 201 of the Agricultural Act of 1949, which was passed by the Congress subsequent to the formulation of the 1955 Budget, permitting the corporation to use not to exceed \$50,000,000 of its funds to support dairy prices by providing for increased fluid milk consumption by children in nonprofit schools. In carrying out the assigned responsibilities under the Special School Milk Program the Agricultural Marketing Service will perform the following functions:

1. Distribute funds among the States on the basis of a formula similar to that provided in the National School Lunch Act.
2. Furnish technical and supervisory assistance to the States in the operation of the program.
3. Perform administrative reviews and audit operating records of States and private nonprofit schools.
4. Account for the use of the funds in accordance with established procedures. The special school milk program will be administered through offices already established and to some extent will receive technical and supervisory assistance from staff members presently administering the present school lunch program. Consequently, the cost of administering the special school milk program is relatively low in relation to the cost of administering the present school lunch program, considering the relative size of the two programs.

- (b) The balance of \$104,800 is required to perform the additional workload applicable to the distribution of commodities from CCC stocks pursuant to the recent amendment to section 416 of the Agricultural Act of 1949 liberalizing the methods for these donations. During the fiscal year 1954 donations of dairy products amounted to 158,140,764 pounds. For the fiscal year 1955 it is estimated that 626,088,337 pounds of dairy products and 85,000,000 pounds of refined cottonseed oil will be donated.
- (2) The Washington divisions will have considerably more auditing, accounting and inventory management responsibilities as investment in price support mounts. Additional funds (\$727,755) will be required with the major increases occurring in the Fiscal Division, \$193,320; Barter and Stockpiling Division, \$115,764; Grain Division, \$66,557; Audit Division, \$58,318; and Compliance and Investigation Division, \$34,700.
- (3) Printing (\$217,000) of forms required in loan purchase, inventory and accounting operations.

(B) INCREASED RESPONSIBILITIES AND WORKLOAD OF THE STATE OFFICES

*The increase of \$898,000 for increased responsibilities and workload of the State offices is composed of the following:*

- (1) An increase of \$710,000 to provide more effective supervision of ASC county committees in the administration of CCC price support programs.

The number of farmer fieldmen and auditors employed in 1954 in the Agricultural Stabilization and Conservation State offices will not be adequate for the increased workload on CCC price support programs. In 1954, there was an average of only 1 farmer fieldman for slightly over 12 county committees and in some States with major program responsibilities, the number of county committees per farmer fieldman ranged from 15 to 21. This estimate would provide a partial correction of the deficiency in supervision of county offices. Additional funds for other programs operating through ASC State offices which are included in the 1956 estimates would lower the average to 10.1 county offices per fieldman. This would still constitute a heavy workload since farmer fieldmen supervise all programs carried out through ASC County Offices and while it does not represent the optimum average, it will enable progress to be made toward more efficiency economical operations. There was only one county auditor for over 27 county committees in 1954 with the average workload in some States ranging from 39 to 60 county committees per auditor. Additional auditors provided under this estimate would reduce the national average to slightly over 25 county committees per auditor. Funds included in the 1956 estimates for other programs operating through ASC State offices would further reduce the average to slightly under 22 county committees per auditor. Since auditors review all programs, the latter coverage will provide an audit program more in line with the overall volume of program operations.

The work under CCC price support programs in 1954 included activities in about 3,000 counties where price support programs are offered, work preparatory to the making of about 1.2 million CCC loans on various commodities in about 2,400 counties, negotiating agreements with about 9,000 lending agencies, performing about 1,600,000 reinspections of farm stored commodities, the acquisition of commodities under loan or purchase agreement in about 450,000 instances and the receipt and recordation of about 170,000 repayments on loans. It is anticipated that the workload will increase considerably in 1955 especially in connection with the reinspection of farm stored commodities, the repayments on loans and the acquisition of commodities.

These increases in workload are indicated by the increased volume of loans, repayments, etc., of the principal crops for which the county committees handle the price support work, as shown by the following table:

*Anticipated change in terms of percentages, increase (+), decrease (-)*

[Fiscal year 1954-1955]

Commodity	Loans outstanding at beginning of year	New loans made	Repayments	Collateral acquired and write-offs
Corn.....	+37.....	-31.....	+63.....	+28
Wheat.....	+105.....	-18.....	+225.....	-17
Barley.....	+963.....	+102.....	+145.....	+402
Beans.....	-39.....	-10.....	+7.....	-26
Oats.....	+183.....	+71.....	+81.....	+329
Rye.....	Over 1,000.....	+61.....	Over 1,000.....	+310
Sorghums, grain.....	+86.....	+77.....	+82.....	+83
Soybeans.....	-90.....	+1.....	-7.....	+61

Seeds: Hay and pasture, none anticipated for 1955; winter cover crop, none anticipated for 1955.

In addition to an increased volume of work in connection with price support activities in the fiscal year 1955 effective January 1, 1955, responsibility for supervising the liquidation of loan programs handled at the county levels will be placed at the State office level rather than at the commodity office level as heretofore. This will permit the States to check loan records with the counties' cumulative reports of commodity loan and purchase agreements and determine causes of discrepancies in loan transactions thereby relieving the commodity offices of the necessity of reconciling each individual county's report and calling attention of the county to discrepancies in its records. The increased work in the State offices for this purpose is partially offset by a decrease in the work in the CSS commodity offices which has been given effect in the estimated requirements for those offices for 1955.

(2) An increase of \$188,000 to strengthen supervision and administration of CCC grain storage structure program by State Agricultural Stabilization and Conservation Offices in an attempt to overcome existing inadequacies in the operation of the program.

Responsibility for operation and maintenance of the CCC-owned structures is placed on the ASC county committees. The technical assistance available to these counties from the State ASC offices is insufficient and the Office of the Deputy Administrator for Production Adjustment is inadequately staffed to provide the necessary overall supervision and direction of the program under procedures initiated by the grain division. In view of serious criticisms which have been made of the manner in which this program is operating and the size of the Government stocks of grain in the structures owned by CCC, it is believed essential that more direct technically qualified supervision and direction be provided as quickly as possible. The objective will be to prevent undesirable practices from developing and to correct deficiencies as they occur. This is a step in the direction of carrying out the express objective of the Chairman of the Agriculture subcommittee of the House Committee on Appropriations as indicated in the hearings on the 1955 budget for the CCC, that every effort be made to prevent improper handling of CCC-owned grain stored in bins.

The \$188,000 to strengthen the administration and supervision of the CCC storage structure program will be used chiefly for the employment of grain storage specialists in the 14 States which have over 1,000 storage structures each, in the three areas which have over 15,000 structures each, and in the Office of the Deputy Administrator for Production Adjustment.

The grain storage specialists in the State offices will exercise supervision over all phases of the CCC grain storage structure program in the State. They will supervise the erection of structures, the preparation of sites, the maintenance and operation of sites and structures and the inspections, care, and handling of grain, whether these jobs are done by State or county crews or under contract.



Work in connection with the grain storage structure program in the fiscal year 1955 is estimated to involve about 200,000 storage structures on 4,500 sites in 938 counties. The storage structures total capacity will be about 900,000,000 bushels and it is estimated that maximum storage will be about 869,000,000 bushels. Some 480,000,000 bushels will go into storage; about 132,000,000 bushels will go out; 300,000,000 bushels will need fumigation; 71,000,000 bushels will need turning and 57,000,000 bushels will have to be cleaned. This represents a substantial increase in the total workload over 1954.

TABLE 1.—*Comparison of the fiscal year 1955 Budget estimate of commodity volume with revised estimates for the fiscal year 1955*

	All commodities except cotton		Cotton	
	Budget estimate	Revised estimate	Budget estimate	Revised estimate
	<i>Carlots</i>		<i>000's bales</i>	
I. Loan activity:				
A. Loans made.....	435, 854	524, 566	2, 030	2, 525
B. Loans repaid.....	200, 202	156, 131	2, 100	3, 015
C. Loans forfeited:				
1. Warehouse stored.....	132, 840	187, 159	1, 300	1, 675
2. Farm stored.....	199, 258	292, 736		
II. Inventory Management:				
A. On hand beginning of fiscal year.....	766, 279	753, 315	136	132
B. Additions:				
1. Purchases.....	24, 137	81, 061		
2. Purchase agreement deliveries.....	31, 852	69, 218		
3. Forfeiture of collateral.....	332, 098	479, 895	1, 300	1, 675
4. Exchanges.....	10, 000	15, 000		
5. Transfers.....	45, 000	45, 000		
Total, additions.....	443, 087	690, 174	1, 300	1, 675
C. Dispositions:				
1. Sales or donations.....	209, 680	403, 906	636	327
2. Exchanges.....	10, 000	15, 000		
3. Transfers.....	45, 000	45, 000		
Total, dispositions.....	264, 680	463, 906	636	327
D. On hand end of fiscal year.....	944, 686	979, 583	800	1, 480
E. Reconcentrations.....	169, 000	384, 000	629	1, 500



*Administrative expenses, Commodity Credit Corporation*  
**AMOUNTS AVAILABLE FOR ADMINISTRATIVE EXPENSES**

	Presently available, 1955	Revised 1955 estimate	Difference
<i>Direct Obligations</i>			
Limitation or estimate-----	\$18, 000, 000	\$25, 290, 000	+\$7, 290, 000
<i>Obligations Payable out of Reimbursements From Other Accounts</i>			
Rendered to Department of Agriculture appropriation (dis- tributed by objects under reimbursing appropriations)-----	4, 602, 981	4, 602, 981	-----
Rendered other appropriations (distributed by objects in- cluded in this schedule)-----	1, 292, 395	1, 292, 395	-----
Total obligations payable out of reimbursements from other accounts-----	5, 895, 376	5, 895, 376	-----
Total administrative expenses-----	23, 895, 376	31, 185, 376	+7, 290, 000
Deduct reimbursements rendered Department of Agriculture appropriations-----	4, 602, 981	4, 602, 981	-----
Total administrative expenses incurred-----	19, 292, 395	26, 582, 395	+7, 290, 000

**ADMINISTRATIVE EXPENSES BY ACTIVITIES**

	Presently available, 1955	Revised 1955 estimate	Difference
<i>Direct Obligations</i>			
1. Price support program-----	\$16, 925, 000	\$23, 877, 000	+\$6, 952, 000
2. Storage facilities program-----	1, 060, 000	1, 298, 000	+238, 000
3. Commodity export program-----	15, 000	115, 000	+100, 000
4. Subsidy program (in liquidation)-----			
Total direct obligations-----	18, 000, 000	25, 290, 000	+7, 290, 000
<i>Reimbursable Obligations</i>			
1. Supply and foreign purchase program-----	643, 000	643, 000	-----
2. Emergency feed program-----	157, 000	157, 000	-----
3. International wheat agreement-----	282, 295	282, 295	-----
4. National wool act-----	199, 000	199, 000	-----
5. Miscellaneous reimbursements-----	11, 100	11, 100	-----
Total obligations payable out of reimbursements from other accounts-----	1, 292, 395	1, 292, 395	-----
Total administrative expenses-----	19, 292, 395	26, 582, 395	+7, 290, 000

## Administrative expenses, Commodity Credit Corporation—Continued

## ADMINISTRATIVE EXPENSES BY OBJECTS

	Presently available, 1955	Revised estimate 1955	Difference
COMMODITY STABILIZATION SERVICE			
<i>Summary of Personal Services</i>			
<i>Direct Positions</i>			
Total number of permanent positions.....	3,940	5,085	+1,145
Full-time equivalent of all other positions.....	2	64	+62
Average number of all employees.....	3,272	4,604	+1,332
Number of employees at end of year.....	3,463	4,870	+1,407
<i>Positions Payable Out of Reimbursements From Other Accounts</i>			
Total number of permanent positions.....	230	230	-----
Average number of all employees.....	188	188	-----
Number of employees at end of year.....	176	176	-----
Personal service obligations:			
Permanent positions.....	\$14,717,952	\$19,609,423	+\$4,891,471
Positions other than permanent.....	92,388	313,418	+221,030
Regular pay in excess of 52-week base.....	55,569	74,044	+18,475
Payment above basic rates.....	82,845	548,368	+465,523
Total personal service obligations.....	14,948,754	20,545,253	+5,596,499
<i>Direct Obligations</i>			
01 Personal service.....	13,971,565	19,568,064	+5,596,499
02 Travel.....	915,743	1,289,640	+373,897
03 Transportation of things.....	67,273	116,320	+49,047
04 Communication services.....	524,594	661,170	+136,576
05 Rents and utility services.....	1,039,096	1,309,970	+270,874
06 Printing and reproduction.....	319,116	557,590	+238,474
07 Other contractual services.....	79,333	200,520	+121,187
Services performed by other agencies.....	705,794	711,794	+6,000
08 Supplies and materials.....	147,237	275,700	+128,463
09 Equipment.....	4,000	2,500	-1,500
13 Refunds, awards, and indemnities.....	\$5,100	\$15,900	+\$10,800
15 Taxes and assessments.....	34,046	151,882	+117,836
Total direct administrative expenses.....	17,812,897	24,861,050	+7,048,153
<i>Obligations Payable Out of Reimbursements From Other Accounts</i>			
01 Personal services.....	977,189	977,189	-----
02 Travel.....	71,141	71,141	-----
03 Transportation of things.....	4,050	4,050	-----
04 Communication services.....	33,581	33,581	-----
05 Rents and utility services.....	14,004	14,004	-----
06 Printing and reproduction.....	9,769	9,769	-----
07 Other contractual services.....	7,374	7,374	-----
Services performed by other agencies.....	164,384	164,384	-----
08 Supplies and materials.....	6,580	6,580	-----
09 Equipment.....	1,591	1,591	-----
13 Refunds, awards, and indemnities.....	328	328	-----
15 Taxes and assessments.....	2,404	2,404	-----
Total obligations payable out of reimbursements from other accounts.....	1,292,395	1,292,395	-----
Total administrative expenses.....	19,105,292	26,153,445	+7,048,153

## GENERAL STATEMENT

Mr. WHITTEN. Mr. Morse, I believe you are to present the general statement and justifications. We would be glad to hear from you.

Mr. MORSE. Thank you.

Mr. Chairman and gentlemen of the committee, when we were before you last year with an emergency problem—requesting an early restoration of capital impairment—it was to assure that the Corporation would have sufficient borrowing authority to meet its obligations as required by law. Subsequent to this—the Congress enacted

legislation increasing the Corporation's borrowing authority from \$6¾ billion to \$8½ billion, and still later in the year from \$8½ billion to \$10 billion.

In the normal course of events, when program volume is increasing, its effect is felt first upon use of borrowing authority as commodities move under support and later upon increased use of administrative funds, as title to commodities is acquired by the Corporation and commodities begin to move back into trade channels. We are now at that point in the cycle of events where administratively we must handle the work resulting from last year's upsurge in price support extended, combined with a continued heavy volume of new price support work during the current fiscal year.

For the past 18 years or ever since the Commodity Credit Corporation has had to request funds for administrative expenses through the normal budgetary processes there has not been a single estimate submitted which was not prefaced by statements to the effect that there was no way of estimating administrative expense requirements with any degree of accuracy. This was and still is necessarily so since the estimates must be prepared almost 2 years in advance of the close of the fiscal year for which funds are provided and before the bulk of the crops applicable to the workload of the Corporation are even planted. The vagaries of nature, prices and other economic factors which affect the volume of price support activities are additional elements contributing to the problem of forecasting administrative expense requirements. The results, of which all are aware, are that since operating on annual limitations, the Corporation has averaged more than one supplemental request a year.

We have made, we feel, tremendous progress in our technique of estimating administrative requirements. We believe, that given a specific volume of price support operations, we can estimate administrative needs with reasonable precision. We have not, and cannot, however, overcome the remaining obstacle which precludes accurate estimates. I refer, of course, to forecasting the level of price support operations. Consequently, we are before you again, with a request for supplemental administrative expenses.

In previous years, in presenting requests for supplemental funds we have compared the program volume upon which the "regular" Budget Estimates were predicated with a revised volume of program estimates. These revised estimates would be reasonably accurate, as we would be well into the fiscal year, with definite trends in program volume readily discernible. These comparisons would reflect previous and current estimates of program volume in terms of loans made, repaid and forfeited, and acquisitions and dispositions of commodities. Our presentation before you this year contains this same type of comparison. This year, I should like to supplement these comparisons by indicating some of the factors which contributed to our underestimating the volume of price support operations which now face us.

#### FEED GRAINS—CORN, OATS, BARLEY, GRAIN SORGHUMS

The 1955 Budget Estimates were predicated upon a production of 4.8 billion bushels of feed grains during the 1954 crop year. This largely applies to the fiscal year 1955, was approximately the same as that produced during the previous crop year, and was 1.4 billion



bushels more than the average production of the 5-year period immediately preceding World War II. We also estimated a carry-in of 1.2 billion bushels and a total supply of 6 billion bushels. On the basis of the November crop reports we now have an estimated production of 5 billion bushels of feed grains from the 1954 crops, and an indicated supply of 6.3 billion bushels—an increase of more than 267 million bushels.

This big supply of feed grains, together with other feed concentrates available, means that the total supply for the current feeding season will exceed last year's large supply and equal the record supply of 1950. Despite somewhat larger domestic consumption and exports now contemplated, an all time record carry-out of feed grains is expected for the current season. The impact of these large supplies and impending carry-out has reflected itself in an increased volume of price-support operations, with record amounts of barley and oats already under loan or purchase agreements. The increased volume may be summarized as follows:

Mr. Chairman, there is a table that follows, which I shall not read if it may be inserted in the record. I merely wish to call your attention to the fact that in the last column, dealing with increases or decreases, there are substantial increases in workload factors over the budget estimate. For instance, the new loans made have increased 101 million bushels; acquisitions have increased 232 million bushels; and dispositions have increased 171 million bushels.

Mr. WHITTEN. The table may be inserted in the record at this point. (The table is as follows:)

[Million bushels]

	1955 budget estimates	1955 revised estimates	Increase or decrease
Loans outstanding at beginning of year.....	427	457	+30
New loans made.....	400	501	+101
Loans outstanding at end of year.....	282	333	+51
Inventory at beginning of year.....	522	424	-98
Acquisitions.....	373	605	+232
Dispositions.....	131	302	+171
Inventory at end of year.....	764	727	-37

Mr. MORSE. I now turn to cotton.

#### COTTON

Under legislation in effect at the time the 1955 budget estimates were submitted, the estimated production for the 1954 crop was based on a national acreage allotment of 17.9 million acres and a production based on the minimum marketing quota of 10 million bales. Under the Act of January 30, 1954, a national acreage allotment of 21.4 million acres was established and production from the 1954 crop is now estimated at 13,463,000 bales—an increase over previous estimates of production of 3,463,000 bales. The actual carrying of cotton for the 1954 crop year, originally estimated at 9.2 million bales was 9.6 million bales, making a total supply of 23.2 million bales—3.8 million bales more than contemplated in the budget estimates. Although current estimates reflect increased exports—4.5 million bales compared with 3.2 million bales—domestic consumption is now ex-



pected to be 400,000 bales less than previously estimated—9.1 compared with 9.5 million bales—so that the carryout for the current marketing year is expected to approximate 9.6 million bales, 2.9 million bales more than the amount upon which the 1955 budget estimates were predicated.

These increased supplies during the year were responsible for an increased volume of cotton being pledged for loans and while the amount of 1953 crop cotton redeemed increased during the year to meet current needs, more 1952 cotton was acquired than anticipated and the corporation was not able to dispose of as much as was originally estimated. The complete detail of the impact of increased cotton supplies upon estimates of price support operations is as follows. Again, there is a table which follows, and if it may be inserted in the record I will read it, sir.

Mr. WHITTEN. The table may be inserted in the record.  
(The table is as follows:)

[Thousand bales]

	1955 budget estimates	1955 revised estimates	Increase or decrease
Loans outstanding at beginning of year.....	5,900	6,872	+972
New loans made.....	2,000	2,500	+500
Repayments.....	2,100	3,011	+911
Loans outstanding at end of year.....	4,500	4,686	+186
Acquisitions.....	1,300	1,675	+375
Dispositions.....	636	328	-308
Ending inventory.....	800	1,480	+680

Mr. MORSE. I would call attention again to the fact that in the third column there are very large increases, as shown in bales. The first item runs close to 100 million bales. If we drop down to repayments, it is over 900,000 bales. There are other substantial increases in workload factors over the original estimates on which the budget was based.

The next item is wheat.

#### WHEAT

Wheat was subject to acreage allotments during the 1954 crop year and production did not vary materially from the quantity upon which the 1955 budget estimates were based. The carrying for the crop year, however, was approximately 100 million bushels more than expected and an increased supply approaching this amount was indicated throughout the crop year. Exports for the year are currently estimated to be 50 million bushels more than previously contemplated but since domestic consumption is now estimated to be 36 million less total disappearance remained virtually unchanged. The additional supply of 100 million bushels manifested itself in a strikingly corresponding increase in the volume of price support operations in that it is expected the corporation will make loans on 90 million more bushels of wheat than was originally estimated and acquisitions are estimated to increase by 112 million bushels. Details of changes in estimates of program volume are as follows.

Again, there is a table, which I will not read if it may be inserted in the record.

Mr. WHITTEN. The table may be inserted in the record.

(The table is as follows:)

[Million bushels]

	1955 budget estimates	1955 revised estimates	Increase or decrease
Loans outstanding at beginning of year.....	50	91	+41
New loans made.....	310	400	+90
Repayments.....	110	147	+37
Inventory at beginning of year.....	706	775	+69
Acquisitions.....	250	362	+112
Dispositions.....	135	225	+90
Inventory at end of year.....	821	912	+91

Mr. MORSE. Again, in the third column substantial workload increases are shown all the way down the column.

Next is dairy products.

#### DAIRY PRODUCTS

The budget estimates for 1955 were predicated upon an estimate of 24,200,000 milk cows on farms as of January 1, 1954, and a total production of 118 billion pounds of milk during the marketing year ending March 31, 1955. The actual number of milk cows on farms as of January 1, 1954, was 24,700,000 an increase of 500,000 cows, and the production of milk for the current marketing year is expected to total 124 billion pounds, an all-time record production. Contributing to this increased production are such factors determined from reporting of crop correspondents as (1) the production of milk per cow in October, November, and December was the highest of record, and (2) the percentage of cows milked as of December 1 was the highest since 1941.

The carrying of milk was previously estimated at 5.3 billion pounds, instead of an actual carryin of 11.7 billion pounds as a result of which current estimates of supply for the marketing year ending March 31, 1955, total nearly 137 billion pounds, another all-time record and 13 billion pounds more than was originally estimated. Domestic consumption is currently estimated to approximate 119 billion pounds—no material change from previous estimates—and while exports are now expected to total 5 billion pounds, or 3 billion pounds more than the original estimates, the carryout on March 31, 1955, is estimated to establish a further all-time record of 12.5 billion pounds. Despite the decreased level of support for dairy products, it is estimated that, as a result of the oversupply of milk, the Corporation will acquire about 566 million pounds of dairy products more than the amount upon which the budget estimates were predicated. The increased acquisitions by commodities are as follows:

Again, there is a table. In the third column it shows very substantial increases on all items of dairy products.

Mr. WHITTEN. The table may be inserted in the record.

(The table is as follows:)

[Acquisitions in million pounds]

	1955 budget estimates	1955 revised estimates	Increase or decrease
Butter.....	200	300	+100
Cheese.....	150	300	+150
Milk, nonfat dry.....	300	550	+250
Whey products and dry buttermilk.....		66	+66
Total.....	650	1, 216	+566

Mr. MORSE. The next item is disposals.

#### DISPOSALS

Since the 1955 budget estimates were submitted there have been important legislative enactments considerably broadening the disposal authority of the Corporation. These include (1) title I of the Agricultural Trade Development and Assistance Act of 1954, which authorizes the sale of surplus commodities for foreign currency. It is estimated that \$400,000,000 worth of commodities will be disposed of in connection with this program. (2) Title II of this same act which authorizes the use of CCC surplus commodities in meeting famine or other urgent relief requirements of friendly nations. It is estimated that \$120,000,000 worth of commodities will be disposed of in connection with this program. (3) Barter and exchange activity which has been emphasized and implemented by new legislation, particularly section 303 of the Agricultural Trade Development and Assistance Act of 1954. During the fiscal year 1954, \$29,436,781 worth of commodities were involved in the barter and exchange programs of the Corporation. It is anticipated that this program will increase to \$200,000,000 in the fiscal year 1955. (4) An amendment to section 416 of the Agricultural Act of 1949 permits donation of commodities to prevent waste and authorizes the Commodity Credit Corporation to pay reprocessing, packaging, transporting, handling, and other charges. Cost value of donations of butter, nonfat dry milk, cheese and cottonseed oil are estimated at \$262 million, which is an increase of \$47 million over the original estimate. (5) An amendment to Section 407 of the Agricultural Act of 1949 authorizing the donation of commodities to distress and disaster areas in the United States. It is estimated that \$64,430,000 worth of feed grains will be disposed of in connection with the current drought program.

As a result of these legislative enactments combined with a more aggressive sales policy, it is now estimated that the total value of dispositions during the fiscal year 1955 will aggregate \$2.3 billion compared with \$1.4 billion as reflected in the previous estimates—an increase of more than \$900 million. The major commodities involved in this comparison are shown in the table which follows, if that may be inserted.

Mr. WHITTEN. The table may be inserted in the record.



(The table is as follows:)

[In millions]

	1955 budget estimates	1955 revised estimates	Increase or decrease
Corn (bushels).....	120	201	+81
Cotton (bales).....	.6	.3	-.3
Wheat (bushels).....	135	225	+90
Other grain (bushels).....	26	121	+95
Dairy products (pounds).....	916	1,119	+203

Mr. MORSE. The next item is administrative expenses.

#### ADMINISTRATIVE EXPENSES

These increases in program volume naturally have a direct bearing on administrative expenses and we find that instead of the \$18,000,000 provided in the 1955 budget estimates for this purpose, a total of \$25,290,000 will be required, an increase of \$7,290,000. The inadequacy of presently available funds has been known for some time and it will be recalled that in recognition of this, our initial apportionment of funds authorized the Corporation to obligate at a rate which would result in a deficit for the year of \$8,150,000. We have reviewed and adjusted our estimates of the volume of price support operations in the light of the November estimates of crop production and other program developments, including the elimination of work incident to cross-compliance on crops subject to acreage controls, and feel that the revised amount of the indicated deficit is as accurate as can be made at this time. It must be emphasized, however, that our estimated administrative requirements are only as good as our estimated program volume.

The year has nearly half its course yet to run. I believe our estimates of loan activity and takeover will hold up. On the disposal side of the picture—incidentally, one of our more costly operations—the future can prove us dead wrong. We have received the best advice possible from sources outside the Commodity Stabilization Service, including the Foreign Agricultural Service, the Foreign Operations Administration, the Agricultural Marketing Services, and the Agricultural Credit Service, as to the volume and timing of disposal programs which they originate and we merely implement. If the volume of commodities involved in these disposal programs does not materialize as presently envisioned, we will operate at less cost during this year than we estimate. On the other hand, if new disposal programs are initiated, or current disposal programs are expanded, we would probably require funds in addition to the amount contained in this request. There are numerous other economic, weather or international conditions which could occur which would affect the volume of price support in the months to come. I have emphasized disposal activity, since in my opinion, it represents the most important variable in our program volume that can be foreseen at this time.

The estimates now before you have been prepared in the same manner as all of our previous requests for funds, whether regular or supplemental budget requests. The increases are itemized and justified both functionally and organizationally. But regardless of breakdowns, the thread of similarity running through all itemizations is



increased program volume. Summarizing them briefly, \$6,392,000, or 88 percent of the increase, is due to changes in estimates of program volume since the 1955 budget was prepared. The remainder of the increase, \$898,000, is due to the increased responsibilities and workload of the State Agricultural Stabilization and Conservation Offices for their role in carrying out the price support operations.

With respect to the increase of \$6,392,000 due to changes in estimates of program volume, \$5,157,445, or 81 percent will be required in the eight CSS Commodity Offices. As you know, the expenses of these offices are computed on the basis of a detailed work measurement reporting system. We are proud to report to you the cost of handling the workload of these offices included in this estimate would be 24 percent higher had we used the same estimate of work output per man-year as was used in the 1955 budget estimates, and approximately 7 percent higher had we used the production rates actually attained during the fiscal year 1954.

We estimate our obligating authority will be exhausted by March 30 and to avoid the disruption that would undoubtedly result from such a development we requested that this item be treated as an urgent one.

Mr. Chairman, as usual we have men from our Budget and Finance Division and other men here from Administration who will undertake to answer questions in detail.

Mr. WHITTEN. Well, we will be glad to have you stay, Mr. Morse, because some of the questions will be directed to you.

I understand that the Secretary and Mr. McConnell, head of the Commodity Credit Corporation, will be with us tomorrow. In their absence we will proceed with the hearings today and discuss these matters with them later.

I think involved here is probably the erux of many of the Nation's agricultural problems.

#### NUMBER OF PERSONNEL

How many men do you have on your rolls at the present time?

Mr. BEACH. Approximately 4,300 in the Commodity Credit Corporation.

Mr. WHITTEN. Under this request how many new people will you employ?

Mr. BEACH. Total number of man-years increases. The original estimate was 3,297. This estimate would provide 4,671. That is an increase of 1,374 over the preceding estimate.

In the month of November, which is the most recent month, there were 4,300 man-months of work on CCC.

Mr. WHITTEN. What is the percentage of increase roughly?

Mr. BEACH. The percentage of increase would have to be calculated against the budget estimate, and would be approximately 40-some-odd percent.

Mr. WHITTEN. That increase is from money which the Commodity Credit Corporation has under its charter and the provision which has been made for it under the law. It is for the administration of the programs under the Commodity Credit Corporation's supervision. Is that correct?

Mr. BEACH. That is correct.

Mr. WHITTEN. And as has been indicated by Mr. Morse it is tied in directly with the increase in the volume of commodities which the Corporation has on hand, either under loan or to which it has title?

Mr. BEACH. That is correct.

Mr. WHITTEN. So for relief from this type of expenditure we must look to reducing the volume of commodities which the Corporation owns or has to deal with. Is that right?

Mr. BEACH. That is correct. Ultimately it would reduce it.

#### MEANS USED TO REDUCE TOTAL VOLUME OF COMMODITIES UNDER CCC OPERATION

Mr. WHITTEN. In that connection I believe several things have been done to try and relieve this situation. One of these was a reduction in the price support program which was passed last year, whereby the basic commodities were reduced under certain conditions from 90 percent to 82½ percent, and the support level on dairy commodities was reduced to what percentage of parity?

Mr. MORSE. 75 percent.

Mr. WHITTEN. In that same law another effort was made, that is in the opinion of the Secretary, to reduce this volume of commodities in the hands of the Commodity Credit Corporation by providing that increasing farm costs should not be figured into parity.

In other words, the new parity formula which the Congress passed last year provided that any additional costs, such as freight rate increases, labor costs, or anything else, should not be figured in determining parity, but parity itself would be an average for the last 10 years of the prices which the farmer received.

Mr. MORSE. You are referring to the modernized parity?

Mr. WHITTEN. Yes. In an effort to reduce total volume of commodities and the investment in it, costs, which we all know are constantly increasing, no longer are an element in the figuring of parity. Is that right?

Mr. MORSE. If I understand your reference to changing over from the old parity to modernized parity for these four basic crops, that is not a recalculation. Modernized parity has been in effect on other crops.

Mr. WHITTEN. That is right. But for those 4 basic crops you changed it to where parity now has a support level of 82½ percent of the average price which the farmer had received, and increasing farm costs no longer affect it in the least.

Mr. MORSE. It is my understanding, and I would be glad to be corrected if I am not right in this statement, the modernized parity formula reflects costs the same as the other.

Mr. WHITTEN. Do you have a copy of the act available?

Mr. BEACH. Yes, sir.

Mr. MORSE. It is a reflection of these more recent relationships.

Mr. WHITTEN. Is it based on the average price which the farmer has received for the last 10 years?

Mr. MORSE. That is reflected in it. However, it goes back to the initial base as I understand it.

Mr. RICHARDS. Modernized parity when it was first put into law was in the Agricultural Act of 1948. It was not applied to some of the commodities because of later amendments to the law.

Mr. WHITTEN. There is no argument about that. I am familiar with the history. But what is that parity under the new formula?

Mr. RICHARDS. It is my recollection, sir, that the only change that this law made was that it allows modernized parity to begin to take effect with 1955 crops of wheat, corn, cotton, rice, and peanuts. With a minimum of 82½ percent for 1955 crops.

Mr. MORSE. Under this act these adjustments will progressively begin to be made.

Mr. WHITTEN. Mr. Morse—if this year the prices are lower than last year, and next year lower than this year, and the year after that they are lower than that year, parity itself will go down, down, down, will it not?

Mr. MORSE. No. The modernized parity will be calculated as it has been and as it has been in effect on practically every crop except these four where the law specified that supports would be calculated at either the old or new, whichever is the higher.

Mr. WHITTEN. And these four are brought under modern parity, where it is tied into the average price the farmer received. It is not based on the cost index of the costs he pays in connection with his agriculture, is it?

Mr. MORSE. It will be bringing these four crops under a parity formula which is the same as that used for the other commodities.

Mr. WHITTEN. I still would like an answer. That effect is as I have described it, is it not?

Mr. MORSE. For those crops it will bring the effective parity prices down progressively to modernized parity at a rate of not more than 5 percent a year.

Mr. WHITTEN. And that is another effort to reduce the total volume of commodities that the Commodity Credit Corporation handles, which as you show also would result possibly in some reduction in the administrative cost of handling the operation?

Mr. MORSE. The sole effect, of course, is not just to reduce the amount of volume of operations of the Commodity Credit Corporation. There are many other effects for which new laws were passed.

Mr. WHITTEN. One of your major bases for sponsoring the legislation was to prevent the huge purchases of the Commodity Credit Corporation. Wasn't that one of the major things?

Mr. MORSE. One of the important reasons, yes, sir. Of course, getting these surpluses into use so that they do not hang over and depress the markets of the farmers, I would say, is a much more important effect.

Mr. WHITTEN. What is that?

Mr. MORSE. When you pile up these great quantities in the hands of the Government, they hang over and depress the markets of the farmers—

Mr. WHITTEN. Are you talking about the set-aside provision?

Mr. MORSE. No, sir. Any time that the Government owns large stocks of commodities which can be moved and are moved into domestic or world markets, they tend to hang over and depress the markets of farmers. Farmers, therefore have a major interest in seeing that there is not this great cumulation of commodities in the hands of the Government.

Mr. WHITTEN. I agree with you. I was just trying to find out the various means that you have used in trying to reduce the total volume



of commodities from the total investment which the Commodity Credit Corporation has. One was changing parity. One was lowering support level. We have mentioned those two.

What other efforts have been made by legislation, or what actions have you taken, to reduce the commodities which the Commodity Credit Corporation has and to keep these commodities from being a depressing influence?

Mr. MORSE. In this testimony there we have described a number of additional authorizations which have been granted to us; we have been employing those in our efforts to increase the disposals.

Mr. WHITTEN. One of those is Public Law 480, where you sell for foreign currency. I notice you spend considerable time discussing this law as a means to help relief yourself of this problem. The figure is some \$130 odd million of commodities to be moved through that. Is that correct?

Mr. MORSE. The President's statement which came out yesterday, I believe, shows \$453 million is estimated to be committed in the fiscal year 1955 under Title 1, and also shows estimated commitments under Title 2 at \$150 million.

Mr. WHITTEN. Does that mean that the recipient country is committed to accept that much or does it mean we are committed to produce it?

I ask that because my information is that the only one which was firmed up is for Yugoslavia in the sum of about \$32 million, and the others are strictly tentative.

Mr. MORSE. No. I think it has progressed further than that. I have a copy of the President's report on that. The first agreement under Title 1 was signed with the Government of the Turkish Republic on November 16, 1954. This agreement provides for the sale of approximately 300,000 tons of bread grains and feed grains to Turkey. It is estimated this program will total about \$30 million.

Under an understanding with Japan on November 13, 1954, \$85 million is involved. With Yugoslavia, to which you refer, approximately \$60 million is involved.

Negotiations are well advanced with the Government of Pakistan for a program totaling approximately \$31 million.

Programs for other countries are shown in the President's report.

#### CLEARANCE OF INTER-AGENCY COMMITTEE REQUIRED IN DISPOSAL OF AGRICULTURAL COMMODITIES

Mr. WHITTEN. The President's message showed the Department of Agriculture had been designated as the principal agency to promote the moving of agricultural commodities under Public Law 480.

Mr. MORSE. We were given the responsibility under Title 1.

Mr. WHITTEN. Under Public Law 480 it is provided, is it not, that the President set up a committee. To sell through that law the Department of Agriculture, which has this primary responsibility of handling Commodity Credit Corporation and disposing of these surpluses, has to clear this interagency committee consisting of the Chairman, Mr. Clarence Francis, and senior officials of the Departments of Agriculture, Commerce, Treasury, State, the Foreign Operations Administration and the Bureau of the Budget.

That is quoting from the President's message.



Mr. MORSE. Yes.

Mr. WHITTEN. So in order to use this channel as a means of getting rid of agricultural commodities, trying to reduce this investment, you have to clear with these departments which I have read, have you not?

Mr. MORSE. This committee has been very useful to us in resolving problems relating to exchange of currency, convertibility, and so on.

Mr. WHITTEN. That is most interesting, but it doesn't answer the question. I asked you if you did not have to clear it with this committee.

Mr. MORSE. We are working in line with the committee.

Mr. WHITTEN. Is it not a fact that this committee has required that, before you take any action with any of these countries, or before you try to move any of these commodities, you give notice to all our competitors as to our contemplated action? Is that not true?

Mr. MORSE. I don't know——

Mr. WHITTEN. You are here to handle this program?

Mr. MORSE. I don't know the extent of that at the present time. We have been making definite progress in this working relationship and it has been improving as we have gone forward, as we get a better understanding.

#### RELATIONSHIP WITH STATE DEPARTMENT

Mr. WHITTEN. We want to pass judgment on your judgment. What was the situation when you started off dealing with the State Department on this thing? Tell us that now.

Mr. MORSE. The State Department, of course, carries the major responsibility in our relationships with these other countries.

Mr. WHITTEN. Did they insist that you shouldn't sell these agricultural commodities? You said things have improved. What did they insist on to start with?

Mr. MORSE. You referred to the matter of notice and consultation.

Mr. WHITTEN. Yes.

Mr. MORSE. That was one area in which there was concern.

Mr. WHITTEN. They haven't changed that attitude either, have they?

Mr. MORSE. There is definite improvement as we all get experience in this matter.

Mr. WHITTEN. You wouldn't say they do not now insist on such a procedure, then?

Mr. MORSE. I would not make a categorical statement. It will depend upon the commodities, I think, Mr. Chairman, and also the situation with reference to these commodities in the world markets.

Mr. WHITTEN. That is interesting. What are the commodities on which they insist and those they do not?

Mr. MORSE. I would rather give a more accurate answer than I could make off the cuff here.

Mr. WHITTEN. We would be glad to have you come back, Mr. Morse.

Mr. MORSE. Yes, sir. I can put it in the record for you.

Mr. WHITTEN. I would rather we discuss some of these things here.

Mr. MORSE. Let me give you some illustrations. You know, there are a number of our friendly countries very much interested in the

production and export of dairy products, and their commodity is very much affected.

Mr. WHITTEN. They want the markets and don't want us to sell in world markets. That is what it amounts to, is it not?

Mr. MORSE. I wouldn't characterize that as their present attitude. They realize more dairy products can be sold on the world markets without depressing these markets. I think the best illustration of the progress being made and the cooperation we are getting is in the fact that under this authorization which provided for up to \$700 million for 3 years, as the President's report yesterday shows, there are commitments either definite or in negotiation now totaling \$453 million in this first year.

#### UTILIZATION OF RECEIPTS FROM SALES FOR FOREIGN CURRENCIES

Mr. WHITTEN. In following that course of trying to get rid of these agricultural commodities and moving them into world trade channels, first you have to clear it with this committee. Your relations have improved with the State Department. But under those sales for foreign currencies, as I read the President's message, only 10 percent of that foreign currency is subject to the appropriation process of the American Congress. In other words, our foreign aid people can spend 90 percent of that currency, any way they please, according to the President's speech, and the President can waive the other 10 percent?

Mr. MORSE. Broad authority was given to the President.

Mr. WHITTEN. Quoting from the speech, the President said:

The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for eight separate purposes. Foreign currencies may be used for these purposes without regard to section 1415 of the Supplemental Appropriations Act of 1953—

that carries a case note showing section 1415 provides that foreign currencies owned by the United States can be used only as authorized through the appropriation process.

Then it proceeds further:

Except that section 1415 is required to be applied to the use of at least 10 percent of the total foreign currency proceeds of sales and to all use of currencies as grants for financing the purchase of goods or services for other countries, for promoting economic development and trade, or for payments of United States obligations abroad. The President may, however, waive the applicability of section 1415 in any case in which he finds that such applicability would be inappropriate or inconsistent with the purposes of the act.

I quote from the message.

Mr. MORSE. Those are the provisions of the law under which we are operating.

Mr. WHITTEN. So it means all this foreign currency, instead of being used to pay the bills of our military setup in those countries, as all of us thought, could be used to build roads, schools, and do reforestation in countries that have better roads than we have, could it not?

Mr. MORSE. If there are such countries.

Mr. WHITTEN. I just came back from Western Europe. And many countries have better local roads than we have in some parts of the United States. Are you aware that our foreign-aid people in

those countries are seeking some way to spend these moneys? We haven't any agricultural people helping them, I hope.

Mr. MORSE. I don't know.

Mr. WHITTEN. You don't know of any agricultural people?

Mr. MORSE. No. The provisions of the law, of course, were enacted by Congress.

#### REPORT OF HON. JAMIE L. WHITTEN

Mr. WHITTEN. I have prepared a final report on my trip to Europe. I ask the committee's permission to insert that report in the record at this point.

(The material is as follows:)

#### REPORT OF JAMIE L. WHITTEN, MEMBER, COMMITTEE ON APPROPRIATIONS

There have been some 13 freight-rate increases since World War II, an 85-percent increase in spread between prices received on the farm and prices to the consumer, a 13-percent increase in farm costs in the past 2 years, with a 12-percent decrease in farm income. These conditions, which largely result from laws, many of them enacted by Congress to provide protection to various segments of our economy, make price supports for certain basic agricultural commodities essential to maintain some degree of balance in our economy. The fact that price supports are necessary to offset American costs does not remove the necessity that our foreign markets be retained to absorb commodities surplus to our domestic needs if we are to avoid further curtailments in agriculture production and farm income with the resulting unemployment of thousands upon thousands of American farmers.

The large buildup of agricultural commodities in the hands of the Government in recent years is not the result of our price-support program, but rather is due to failure to offer to sell our products competitively on world markets. Yet each time I have challenged this policy of holding our agricultural commodities back, admitted to be our policy by our Department of Agriculture, I have been faced with the fact that such policy reflected the attitude of our State Department and those handling foreign-aid programs, based on what the State Department claimed were political and national-defense considerations. That Department has made its decisions apparently without any awareness of the effect on agriculture and business in the United States. I believe such policies ruinous to American agriculture and, in the long run, to the Nation.

According to the National Advisory Committee for CARE, composed of such men as Henry A. Bullis, General Mills, chairman of the board; Roy C. Ingersoll, president of Borg-Warner; Ward Melville, Melville Shoe Corp.; H. J. Heinz, and others equally successful, such policy costs the United States \$700,000 a day for storage, deprives American railroads of transportation equal to 100 transcontinental freight trains each day for a year, deprives American shipping of the equivalent of the dispatch of 10 oceangoing freighters every day for a year, not to mention the loss of labor and the effect on agriculture itself, being cut back now to absorb such commodities. And all this food and fiber has been held back by the Department's policy, set up by our State Department on the basis of "helping needy peoples of the world."

#### WE NOW HAVE AUTHORITY TO SELL COMPETITIVELY ON WORLD MARKETS

I would point out that the Commodity Credit Corporation Charter Act in section 5 (f) authorizes the corporation to export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities. Under the Charter Act these commodities may be commodities acquired under price support programs or specifically procured for export purposes.

The Charter Act contains no restrictions on the prices at which commodities may be sold by the corporation. Section 407 of the Agricultural Act of 1949, as amended, does establish minimum prices at which the corporation may sell commodities owned or controlled by it, except in the case of sales for certain specified purposes. Sales for export, however, are specifically exempt from the application of this minimum price restriction.



Yet the United States Department of Agriculture admitted in hearings before my committee last year that the United States has been following a policy of holding our commodities at "prevailing prices" letting other countries undersell and have the markets. Many commodities have not been offered even at "prevailing" prices.

Foreign countries do have the dollars. However, due to our policy these countries simply are not spending as much for agricultural commodities but are buying other things. Agriculture's share of United States sales has dropped from 28 percent in 1934-38 to 19 percent in 1953 (exhibit B).

Accordingly, I requested and received authorization from the Committee on Appropriations to visit, inspect and obtain reports from United States military, political, and agricultural authorities throughout Western Europe in an effort to obtain evidence to help break up such shortsighted policies. Under this authorization I visited the following countries during the period September 23 through November 8, 1954: Germany, France, Spain, Italy, Switzerland, Belgium, Netherlands and England, where I met with ambassadors, generals, business people, and representatives of our Department of Agriculture. A more detailed copy of my itinerary is attached as exhibit A.

#### FINDINGS

##### Economic conditions:

In all countries of Western Europe economic conditions are substantially better than before the war, averaging better than 150 percent of prewar levels. Shops are full of merchandise and there is less debt and less inflation than in the United States.

Economic recovery in Western Germany has been spectacular. Since 1948, the industrial production has more than tripled and is over 170 percent of 1936. Also, gains in Germany's export trade have been remarkable, as shown by the twentyfold increase in exports since 1947, and she has been able to maintain a favorable foreign trade balance. Germany is now one of the strongest creditors in the European Payments Union and has improved its gold and dollar reserves substantially. The per capita consumption in Western Germany is somewhat below that of France and the United Kingdom, however, due to the influx of 10 million refugees from behind the Iron Curtain. Refugees are still coming into Western Germany, principally through Berlin, in large numbers. Several thousand refugees are processed each week through one refugee center which I visited in West Berlin. Encouragement of refugees from behind the Iron Curtain is important to the West, however, since it is creating a serious shortage of experienced farmers, which accounts for the serious food shortages which have developed in Communist-controlled areas. According to reports received in Berlin, the food shortage in Eastern Germany is so serious that people are willing to travel hundreds of miles and spend considerable money to get the food packages made available by the United States. The shortage in food is much more acute than the shortage in money.

The problem in France is political rather than economic, and no amount of financial aid from the United States will solve this condition until the French people themselves are willing to take action. Despite the strains placed on the French economy following the outbreak of war in Korea, industrial production has continued to increase, reaching the highest levels in French history, 150 percent of prewar. However, France will never be able to make a substantial contribution to the defense of Western Europe until a strong leader can be found and a stable government can be established. This will require a basic change in the French Constitution so that Members of Parliament will have to stand reelection each time a new government is formed. It will also require major revisions in tax laws and collection procedures. Since the French Government already takes almost one-third of the gross national product in the form of direct and indirect taxes, such a revision will not necessarily result in increased revenue to the Government. It should, however, distribute the tax load more equitably among the various economic groups in France. Apparently, the large Communist vote in France is due to some extent to the fact that the laboring class carries an unusually large share of the tax burden.

While the standard of living in Spain is still the lowest in Europe, there is considerable evidence of economic improvement. A great deal of new construction of all types is noticeable in Madrid and adjacent areas, and there appears to be a concerted effort to provide more adequate living quarters for the people. Also, efforts are being made to attract foreign capital and increase foreign trade. Despite limited natural resources, the pride and industriousness of the people should



enable Spain to become an important factor in future plans of the free world. There is every evidence of national strength and a strong determination to resist communism in every way. The Spanish people are very friendly to Americans and are appreciative of the financial help from the United States. They are cooperating very closely and freely with the United States in joint defense activities in that country.

As in the case of France, the most serious problem in Italy is the political situation. The economic situation is still serious for some people, just as it is in the United States, although agricultural production is 124 percent over prewar levels and industrial production is 160 percent above prewar levels. The salvation of Italy must come from those Italians who have a sufficient stake in resisting communism to rid the Government of its potent Communist minority by internal changes. United States financial aid cannot accomplish this, and a tougher United States attitude with respect to future aid is necessary to force responsible Italians to face up to their responsibilities in this regard.

Economic conditions in Belgium and the Netherlands are excellent. In the postwar period Belgium lived within its economic means and stabilized its economy on a sound basis. In 1953 industrial production was 142 percent of prewar levels. In addition, Belgium carries large surplus with the European Payments Union (\$235 million as of April 1954). In the Netherlands, industrial production rose to 163 percent of prewar levels in 1953, and in December 1953, she carried a surplus of \$370 million with the European Payments Union. In both of these countries there is political stability and Communism presents no serious problem.

Production and productivity in the United Kingdom have increased to well above prewar levels in both agriculture and industry. Industrial production has increased about 140 percent and agricultural production is up 127 percent over 1938. Gold and dollar reserves, which fell from a postwar peak of \$3,867 million in June, 1951 to \$1,686 million a year later, have steadily increased during the past 2 years and at the end of June 1954, stood at slightly over \$3 million.

#### AGRICULTURAL MARKETS

There is little doubt that the United States can recapture many of its European markets for agricultural commodities, provided prices are made competitive and an aggressive sales program is conducted by the United States. Importers and business representatives in Europe generally prefer United States commodities due to higher quality. United States exports to western Europe could be again built up to or above prewar levels, if prices were made competitive. As an example, Germany's imports of United States cotton dropped from 70 to 80 percent of its total prior to the war to 25 percent in 1953, due primarily to price. If the price were competitive and satisfactory credit arrangements could be made, German merchants would again rebuild their stocks of cotton to prewar levels, with most of their imports coming from the United States. They have the dollars, for our military is spending the dollars (exhibit B).

The general opinion among representatives of business in Europe was that the United States should make every effort to sell its surpluses through normal channels of international trade at competitive prices. They felt that the world should return to normal trading practices as soon as possible, with United States products competing as in prewar days since large United States surpluses are a constant threat to world markets. They also agreed that the present practice of holding United States commodities off world markets and then giving them away without remuneration at a later date is a very disruptive factor in normal international trade and should be discontinued. And they are amazed at the United States State Department policy of notifying all competitor countries in advance of proposed sales of United States agricultural commodities abroad. In numerous instances, this has enabled other countries to underbid the United States and take over the market.

It should be pointed out, however, that there are two points of view in Europe relative to United States agricultural policies. The one reflected by importers and industrial representatives is outlined above. The other, which is found among government officials of the various countries of Europe, who quite naturally like for the United States to let them have the markets, is that the United States should not sell in world markets at less than domestic prices, insisting a two-price system would be grossly unfair to competitor countries. Their feeling is that the United States is extremely wealthy, has unlimited resources, and can continue to hold its products off world markets indefinitely in order to allow smaller countries to develop their foreign markets. This attitude was encountered particularly in

England and the Netherlands. It was also encountered during discussions with the chief economist at the Food and Agricultural Organization in Rome who is a native of the Netherlands. The fact that this policy put the United States in an unfavorable competitive position, leaving the markets for other agricultural nations, and has the effect of holding an umbrella over world prices, thereby making less food available throughout the world at higher prices, did not seem to concern these people.

#### AGRICULTURAL ATTACHÉS

The transfer of the foreign agricultural attaches from the State Department to the Department of Agriculture is being put into effect gradually. It is hoped that it will result in stronger agricultural representation in the various countries abroad, and it is expected to improve agricultural reporting and increase markets for United States agricultural commodities abroad. For it to really work, we must change our governmental policy at home so our commodities will be offered competitively. This change of agricultural attachés is creating some internal difficulties due to a few administrative problems. For instance, the placing of the agricultural attaché positions under "Schedule A," which makes them subject to political appointment, is causing the older career attachés to be reluctant to give up their permanent status with the career Foreign Service system rather than level of responsibility for the position.

#### MILITARY DISCUSSIONS

Briefings and discussions were held with Gen. William M. Hoge, Commander in Chief, U. S. Army in Europe, Heidelberg; Lt. Gen. C. V. R. Schuyler, Chief of Staff, Supreme Headquarters, Allied Powers in Europe, Paris; Maj. Gen. George Honnen, U. S. Commander, Berlin; and Maj. Gen. August W. Kissner, Chief Joint U. S. Military Group, Madrid; also Generals Allen in Italy and Van Brunt in Belgium.

Based on these discussions, apparently our military plans call for financial and military assistance in Western Europe at or near present levels for years to come, whether or not Russia attempts to move into Western Europe. The recent agreements providing for a new German army may reduce United States military costs slightly, but such reduction will not be significant. All our military plans depend on a strong United States economy at home.

In building military bases in European countries we run some risk. Each nation is sovereign. If they tell us to get out, we must get out or fight to hold such bases, for any such base helps us while we hold it, hurts if the other side gets it.

#### REARMING GERMANY

There is an element of risk here. However, the German people work. They have done wonders in bringing about the recovery of their country. They are probably about the strongest people, as a group, in all of Europe. Because of that the Germans will be a factor and a major force in any future conflict. We must try to see that it is on our side.

#### AIR BASES IN SPAIN

In Spain, Major General Kissner and his staff provided a briefing on the construction of the new air bases. In addition, a visit was made to the Torrejon Air Base near Madrid, where one of the new airfields is to be constructed. Plans are largely complete and contracts are being awarded. The attitude of the Spanish people in connection with this program and the degree of cooperation received from the Spanish Government is excellent. It is apparent that Franco and the Spanish people have cast their lot with the United States and are willing to go all out to build a strong defense network. They are doing everything possible to enable United States forces to operate effectively in Spain. For instance, the Spanish Government volunteered to furnish space free of charge to the Joint United States Military Group in the Spanish Air Force building recently constructed in Madrid.

#### BERLIN

One of the most interesting points of the trip was the visit to Berlin. Being more than 100 miles within Russian held Germany, it is a vitally important spot to the Western Powers, both as an advance military base and as an example of western democracy behind the Iron Curtain. Of course, it can be taken by Russian forces at any time and the Western Powers are committed to resist



attack. Thus it is a trigger which can be pulled whenever Russia is ready to set off a conflict. In the meantime, it is important that we do whatever is necessary to provide a reasonable standard of living for the residents of Berlin and to reduce unemployment to a minimum.

In the United States, we have been given the impression it is quite something to be able to go into East Berlin (Russian). I spent the afternoon there. I could play up my visit as others have, but actually public sightseeing buses filled with passengers go from West Berlin over to tour East Berlin practically every day. Our group went into a number of buildings in East Berlin. We read and hear of restrictions on going into East Berlin from West Berlin. I was surprised to learn that practically all those restrictions are imposed by our own people to keep down incidents.

There are periodic checks by East Germans of cars going across into East Berlin. This is customs inspections, immigration, etc. The same thing is done when you go from France to Spain, Spain to Italy, or when you come into the United States.

The western sector, or our section of Berlin, in my opinion, does show more recovery than the Russian sector. Our folks pointed that fact out. Our efforts seem to be directed toward the recovery in the most needed places. Most Russian construction we saw was in the buildings on one street which would present a wonderful picture if circulated over Eastern Germany by the Russians; doubtless they are doing just that. Other sections of the Russian Sector don't look that way; thus the Russians restrict picture-taking in East Berlin. Apparently a number of Americans attempt to take such pictures simply because they are not supposed to; thus the trouble for our military authorities is brought about.

Berlin is a city of 4 million people which has been divided down the middle so far as local government is concerned. Russia is in the saddle on one side—the United States, British, and French each have control of a sector of the other. And yet, the street cars, the lighting, the subways, the sewage systems, and the streets serve the whole city. Those actually in control speak three languages—Russian, French, and English.

Forty thousand people live in West Berlin and work in East Berlin—going back and forth each day—and vice versa. One part of the city uses one kind of money, the other another.

The railroads serving Berlin, including the United States, French, and British sectors, go through a 100 to a 150 miles of Russian held Germany to get to Berlin. They serve all of Berlin. I don't know how many trains the railroads can handle, but we are allowed not less than 15 trains of any length each day.

The highways going to West Berlin go through a 100 to a 150 miles of Russian held Germany to get to Berlin. I talked to many civilians and to many American soldiers. They all said a person can drive right on through without any difficulty. It is when he tries to drive about over the countryside that he is stopped.

What do these facts mean? Frankly, I don't know. I do know the impressions we get here in the United States tend to inflame us more perhaps than would be the case if all facts were understood by the people of the United States.

I came back with the distinct impression that, for one reason or another, while the facts we are given by the press and radio and visitors are doubtless true, the individual items, the sensational way presented and the facts not presented, tend to inflame American public opinion far beyond what a balanced presentation would give.

Each side is jockeying for position, for public support. Certainly, under those conditions differences are going to arise. I don't know the facts about the many incidents but I can see that many would naturally occur. We are not being given a balanced picture. There is much to raise the question as to whether we are not getting rather unbalanced information from other parts of the world.

I know we need to make every effort to get all the facts. If we are to have a war, as terrible as that is, it should be for a principle and with a full appreciation of all the facts. We shouldn't let ourselves be misled into war. Now I do not know that we are given false information; but isolated incidents can give just as incorrect a picture as false statements.

#### CONCLUSIONS

1. *We must change our policies.*—One of the principal arguments for the billions of dollars we have spent overseas has been that economic recovery is the answer to communism. Yet, despite the fact that the countries of Western Europe have recovered economically, with industrial and agricultural production up well above prewar levels, communism continues strong, notably in France and Italy.



For a number of years the principal argument for our foreign-aid program by our leaders in the Congress has been to point out "how many billions we would spend to keep one bomb from falling in the United States." We need to analyze this argument, however, and see if the spending of these billions prevents that. I am convinced, personally, that economic aid is no longer needed and actually is not the way to prevent such a bomb from being dropped.

The question is not what we would be willing to do, but one of whether what we do brings about the desired end. As long as we say we are willing to spend billions, the countries of Europe are willing to help us spend it. As long as a local threat of communism will make the United States send billions abroad, you will find enough communism in a number of countries to cause us to put the money on the high seas. They will continue to pull our leg.

Whatever the benefits of the United Nations and other such organizations may be, as long as we seek approval by a large group of countries, regularly, as we do, trade and other concessions against United States interests will be demanded. Our State Department apparently has yielded to such demands without any awareness of the effect on American agriculture and our general economic well-being.

Actually, foreign aid does not go directly to the people. Instead it goes to the government which in turn sells articles purchased therewith to the people. We are aiding countries which are in better shape financially than we are, and most people of other countries will not believe that the United States is borrowing the money it is giving them.

2. *It must be recognized that political and social problems in some countries of Europe are more significant than economic conditions.*—Under the French Constitution, the members of the legislative body can cause the head of the government to submit to a vote of confidence at any time, without having to run themselves. This amounts to government by legislative body, which cannot work in a country of any size. In Italy, the head of government must have the support of a combination of all the parties in the Chamber of Deputies to outvote those sympathetic to communism. This invites the forming of small parties, for even a small group can hold up the executive department to obtain favors.

Business interests in Europe have recovered substantially above prewar, and have a real stake in the fight against communism. If the United States will only quit acting like it is so disturbed, and will quit urging those countries to let it save them, I am convinced it will have more help from Europe in this world clash of ideologies.

3. *We must insist on the right of our agricultural commodities to move in world trade on a competitive basis.*—The present policy of holding our commodities off world markets at competitive prices, so other countries can have those markets is playing right into the hands of our competitors. We are about to surrender this basic right by not using it. We must stop trying to make other countries economically independent of us so far as trade is concerned, for those who trade together usually stand together. Actually, we are using United States dollars to make competitors of our former customers. By way of illustration, we have been parties to increasing foreign cotton production by 1 million bales annually, while our Department of Agriculture cuts back American cotton production to absorb such increase with resulting unemployment of thousands of farm families.

The longer we follow our present policies of holding back our production from competitive world trade, the more countries like Britain and Holland will insist that a rich Nation like the United States (and that is what their leaders told me) should not sell what it has surplus to domestic needs for what it can get in the world market. Yet both of those countries sell abroad for much less than they sell at home.

The Netherlands is spending huge sums in helping agriculture with subsidies so that its agricultural products move into world markets far below the real cost. England, through a system of purchase taxes, is moving its products into world trade far below the real purchase price to its own citizens. The difference is estimated at £365 million annually.

Yet, while some few of our people abroad seem to know some of these facts, none seemed to have the full story so as to be in a position to argue back when such countries insist. "That it is unthinkable that a rich country like the United States would offer its commodities to those who need them at less than its domestic support price." I found none of our representatives overseas who had any knowledge of what commodities we have for sale at a competitive price. I found no one who even knew we had legal authority to sell competitively. These are able men, but this information has not been available to them. I even found that United States representatives to the standing committee of FOA of the United

Nations on Surplus Commodities have been from our State Department rather than from the United States Department of Agriculture.

4. *We must realize that the economic strength of the United States is absolutely essential to the success of all our military plans.*—The United States cannot continue to support the people of the world economically, without seriously depleting its resources and risking the destruction of its own economy. We must find out that it is better to sell than to give away—better on the trade, the recipient country, and ourselves. We help needy countries more by making what we have available to them than we do by holding such commodities in warehouses in the United States.

I found that our representatives abroad had too little awareness and understanding of the fact that we had a serious economic problem at home, particularly with respect to agriculture. Every opportunity was taken to bring this matter to the attention of the United States representatives, ambassadors, generals, and others contacted.

May I repeat, protecting the economy of the United States is absolutely essential if we are to carry out our military plans for the future.

Economic recovery of Europe is not the complete answer to communism for they have economic recovery.

American agriculture must be represented in future international agreements, for those now making concessions for the United States do not know the subject.

The United States does not help needy people by holding back what they need.

The Government weakens the American economy by cutting American farmers back to set people up in business in foreign countries.

American farm-support laws are essential to offset costs of other laws, but any farm program to succeed must use authority of present law to sell what we produce and do not need on a competitive basis to the people of the world.

#### SUMMARY SCHEDULE OF WHITTEN TRIP

Left New York City aboard U. S. N. S. *General Rose*, September 23. Arrived Bremerhaven, Germany, October 1. Met by Jack Haggerty, agricultural attaché at Bonn, and Bruce Lancaster, economic counselor at Hamburg.

#### GERMANY

October 1: Dinner at Hamburg with Consul General Timberlake and Herr Alfred C. Toepfer, one of largest wheat importers in Germany.

October 2: Meetings at Hamburg with Herr Blessing, importer of fats and oils, and several cotton importers. These people generally of opinion that (1) present United States agricultural surpluses are a constant threat to world markets; (2) that handling of United States surpluses through normal channels of trade would be far better than present United States policy of holding prices high and then giving commodities away; and (3) most countries would prefer United States products if prices were competitive and dollar exchange available. Drove to Kassel in afternoon.

October 3: Drove to Frankfurt.

October 4: Meeting at Heidelberg with Gen. Wm. M. Hoge. Lunch and tour at Schloss-Heidelberg Castle. Flew to Berlin in late afternoon.

October 5: Briefing in Berlin by General Honnen, his staff and representatives of HICOG. Attended HICOG staff meeting. Heard special report on unemployment problem in Berlin. Meeting with Dr. Conant, High Commissioner of Germany. Visit to Russian sector of Berlin in afternoon.

October 6: Visit to refugee camp in Berlin. Flew to Frankfurt in late afternoon. Took train to Paris in evening.

#### FRANCE

October 7: Meeting in Paris with Lt. Gen. C. V. R. Schuyler at SHAPE headquarters. Pointed out need to keep United States economy strong at home to support apparent long-range military effort in Europe. Visit to Versailles and Notre Dame in afternoon. Reception at home of Agricultural Attaché Omer W. Herrmann.

October 8: Attended conference of agricultural attachés from European area. Discussed in detail problems related to agricultural policy and marketing of United States commodities in Europe. Meeting with Ambassador C. Douglas Dillon.

October 9: Drove through agricultural area southwest of Paris, including Chartres.

October 11: En route Paris to Madrid by train.



## SPAIN

October 12: Visit to "Los Caidos" monument near Madrid (Franco's memorial), being built in memory of fallen soldiers of Spanish civil war. Visit to El Escorial near Madrid, monastery-monument built by Philip II.

October 13: Meeting with Ambassador James C. Dunn. Meeting with Edward L. Williams, minister of economic affairs and FOA Director. Briefing by Maj. Gen. August W. Kissner on construction of airbases in Spain. Visit to Torrejon Airbase near Madrid.

October 14: Reception at home of agricultural attaché Burl Stugard.

October 15: Flew Madrid to Rome.

## ITALY

October 16: Visit to land reform project north of Rome, an example of attempts by Italian Government to break up large landholdings and enable small "peasant" farmers to settle on and purchase small farms from 15 to 20 acres. Similar to resettlement projects in United States.

October 18: Conference in Rome with Mr. Henry J. Tasca, Chief of FOA mission, and staff on economic affairs in Italy. Meeting with Minister Dubrow and military officials on military and political problems. Luncheon with Dr. Vincent Cardon and FAO officials. Brief tour of FAO. Meeting with Ambassador Clare Booth Luce.

October 19: Drive to Florence.

October 20: Drive to Milan.

October 21: Meeting and luncheon with officials of Italian Cotton Association, cotton merchants, and textile trade people. Consensus of group much the same as in Germany, although prices of United States cotton not out of line at present time.

## SWITZERLAND

October 22: Visit to United Nations building at Geneva—Palais de Nations (formerly League of Nations headquarters).

October 23: Visit to Caux, location of headquarters of moral rearmament movement, an organization dedicated to spreading the message of the free world. Its principal means is through presentation of theatrical productions in various countries. Is supported by private subscription and by financial sacrifice and dedication of people actively engaged in its work. Flew to Paris in evening.

## BELGIUM

October 25: Drove Paris to Brussels. Visited Belgian farm. Reception at residence of Ambassador F. W. Alger.

## NETHERLANDS

October 26: Drove Brussels to The Hague, traveling through some of the area flooded in February 1953. Area appeared to be completely recovered and restored to agricultural production. Dinner at home of Agricultural Attaché George J. Dietz.

October 27: Meeting with Ambassador H. F. Matthews and his deputy. Luncheon meeting with Minister of Agriculture Mansholt and several members of his staff. Herr Mansholt's position on United States agricultural policy was similar to most governmental officials of competing nations encountered in Europe on two points: (1) That the United States could afford to hold its products off the markets in order to help the smaller nations build up their agricultural economy and (2) that it would be unfair for United States to sell its products in world markets at less than domestic United States prices. The claim that United States agriculture is subsidized is used generally throughout Europe by competing nations to put our representatives on the defensive. Flew to London in late afternoon.

## LONDON

October 28: Meeting with Ambassador Winthrop W. Aldrich and FOA Chief Lincoln Gordon. Meeting with British Minister of Finance. Question of subsidized United States agriculture again brought out. Lunch at Farmers' Club of London with Minister of Agriculture and his associates and representative of Liverpool Cotton Association. Visit to House of Commons. Reception at home of Agricultural Attaché Eric Englund.



October 29: Dinner at American Embassy with American and British agricultural officials, given by Dr. Fred Motz, Department of Agriculture representative in London.

October 30: Further meeting with Ambassador Aldrich. Drive to Southampton in afternoon.

Left Southampton on U. S. N. S. *Rose* on October 31; arrived New York City on November 8.

### EXHIBIT B

#### 1. TOTAL UNITED STATES EXPORTS

[Millions of dollars]

	Agriculture	Total	Percent agriculture
1934-38.....	748	2,700	28
1938-39.....	683	2,885	24
1952-53.....	2,819	15,126	19
1953-54 (estimated).....	2,936	15,226	19

Source: From "Foreign Agricultural Trade"—U. S. Department of Agriculture.

#### 2. SHIPMENTS UNDER AID PROGRAMS

[Millions of dollars]

1945.....	1,365
1948.....	2,309
1952.....	429
1953.....	360

Source: From Foreign Agricultural Situation—U. S. Department of Agriculture.

#### 3. FOREIGN COTTON PRODUCTION

[Thousands of bales]

	Europe	Asia	South America	Africa and Oceania
1942.....	71	7,169	3,039	1,770
1945.....	80	5,842	2,044	1,966
1949.....	143	5,921	2,418	2,991
1952.....	266	8,809	2,688	3,524
1953.....	323	9,514	2,686	3,015
1954 (estimate).....	356	9,615	3,003	3,057

Source: From Foreign Agricultural Service—U. S. Department of Agriculture.

#### 4. UNITED STATES FEDERAL EXPENDITURES IN EUROPE (INCLUDES MILITARY, DEFENSE SUPPORT AND OFFSHORE PROCUREMENT)

[Millions of dollars]

	1953	1954	1955 (estimated)
Austria.....	89.3	46.5	30.7
Belgium-Luxembourg.....	58.7	67.7	87.4
Denmark.....	31.0	31.7	32.4
France.....	662.0	949.6	1,530.95
Germany.....	319.7	323.8	282.3
Iceland.....	19.6	18.2	18.2
Italy.....	246.1	284.7	298.6
Netherlands.....	106.1	106.3	106.2
Norway.....	24.9	37.6	33.9
Portugal.....	17.8	20.8	22.0
Spain.....	13.6	30.6	77.8
United Kingdom.....	614.7	505.5	527.9
Yugoslavia.....	114.5	66.9	63.0
Greece.....	86.5	58.4	63.3
Turkey.....	58.7	55.5	109.9
Total.....	2,463.2	2,603.8	3,284.55

Source: From 1955 budget justifications—FOA.

## 5 TECHNICAL ASSISTANCE IN EUROPE, INCLUDING GREECE AND TURKEY

[Millions of dollars]

1953.....	21.9
1954.....	13.6
1955.....	9.4

Source: From 1955 Budget justifications—FOA.

Mr. WHITTEN. The Department is trying to dispose of these commodities through this channel of Public Law 480. I think we should insert at this point in the record a copy of the President's message on this subject.

(The message is as follows:)

*To the Congress of the United States:*

I transmit herewith my first semiannual report on the activities carried on under Public Law 480, 83d Congress, as required by that law.

Public Law 480 is an expression by Congress of its determination to deal with the abundance of our agricultural production in a constructive way. Despite the problems created by this abundance, we may be thankful we live in a land which is able to produce plentifully rather than one which suffers the affliction of food shortages.

The enclosed report includes the dollar value of the foreign currency for which commodities exported pursuant to section 102 (a) of the act have been sold, as well as the estimated order of magnitude of the total country programs which have been generally agreed on but not fully negotiated, together with the cost to the Commodity Credit Corporation of such sales. The report also contains a summary of the policies and operating techniques evolved for the administration of the act during the first 6 months of its existence.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE,  
January 10, 1955.

## REPORT ON ACTIVITIES UNDER PUBLIC LAW 480

## INTRODUCTION

The Agricultural Trade Development and Assistance Act (Public Law 480) combines many different purposes. It affects many aspects of both our domestic and foreign economic policies. It directly involves participation by five departments and agencies and affects the area of interest of several more. Public Law 480 is the result of long congressional consideration of many bills designed to contribute to the solution of our problem of agricultural surpluses through expansion of the movement of such commodities abroad. It combines features of many bills providing for acceptance of foreign currencies in payment for surplus commodities and includes provisions of the Famine Relief Act of 1953.

For these reasons I deem it desirable, before delineating activities under the act, to review briefly its principal provisions and indicate its relationship to the total agricultural problem in the United States, our foreign economic policies, and other agricultural disposal programs of the Government

## PROVISIONS OF THE LAW

The act declares it to be the policy of Congress "to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment therefor." It further declares it to be the policy of Congress to use foreign currency accruing under the act "to expand international trade, to encourage economic development, to purchase strategic materials, to pay United States obligations abroad, to promote collective strength, and to foster in other ways the foreign policy of the United States."

Title I authorizes the President to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. In negotiating

such agreements the President is required, among other things, to take reasonable precautions to safeguard usual marketings of the United States and to assure that sales for foreign currencies will not unduly disrupt world prices, to take appropriate steps to assure the use of private trade channels, and to give special consideration to the development and expansion of demand abroad for agricultural commodities.

The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for eight separate purposes. Foreign currencies may be used for these purposes without regard to section 1415 of the Supplemental Appropriations Act of 1953,<sup>1</sup> except that section 1415 is required to be applied to the use of at least 10 percent of the total foreign currency proceeds of sales and to all use of currencies as grants for financing the purchase of goods or services for other countries, for promoting economic development and trade, or for payment of United States obligations abroad. The President may, however, waive the applicability of section 1415 in any case in which he finds that such applicability would be inappropriate or inconsistent with the purposes of the title.

Title II of the act authorizes the President to furnish, out of Commodity Credit Corporation stocks and on a grant basis, surplus agricultural commodities to friendly governments or peoples to assist in meeting famine or other urgent relief requirements or to "assist programs undertaken with friendly governments or through voluntary relief agencies."

Title III amends and liberalizes the Agricultural Act of 1949 by providing additional authority to dispose for various purposes of commodities owned or controlled by the CCC. It authorizes the CCC to pay reprocessing, packaging, handling, and transportation charges on donated commodities up to time of delivery to a designated agency or domestic distribution or to shipside in the case of distribution abroad. Section 303, while containing no new legal authority, establishes a policy of encouraging the barter of surplus commodities for strategic materials or for goods required in the foreign assistance program or offshore construction.

*Appropriation.*—Transactions over a 3-year period under title I are limited to an amount which would require an appropriation not to exceed \$700 million to reimburse the CCC for its losses<sup>2</sup> in the commodities disposed of or for its cost of disposal. Costs of transfers under title II for the 3-year period are limited to \$300 million, including the CCC investment in the commodities. No transactions under either title may take place after June 30, 1957.

#### EXECUTIVE ORDER 10560

Executive Order 10560, September 9, 1954, delegates authority vested in the President for administration of Public Law 480. Primary responsibility for sales for foreign currency is assigned to the Secretary of Agriculture. All functions conferred on the President by title II of the act are delegated to the Director of the Foreign Operations Administration.

#### INTERAGENCY COMMITTEE

Because of the complexity of the act and the interdepartmental interest, it is imperative that the administration of the act be effectively coordinated. To this end I directed, by letter dated September 9, 1954, that there be established an Interagency Committee on Agricultural Surplus Disposal "to assist the agencies concerned in bringing into harmonious action, consistent with the overall policy objectives of this Government, the various agricultural disposal activities vested in them by, or assigned to them pursuant to, the act." It was directed that the committee should be composed of a representative of the White House Office as chairman and one representative of each Government department or agency designated by the chairman. The chairman was made responsible for advising the President concerning policy issues. The committee now consists of the Chairman, Mr. Clarence Francis, and senior officials of the Departments of Agriculture, Commerce, Treasury, and State; the Foreign Operations Administration; and the Bureau of the Budget.

<sup>1</sup> Section 1415 provides that foreign currencies owned by the United States can be used only as authorized through the appropriation process. To practice this generally means that appropriated funds must be used to purchase such currencies from the Treasury when they are to be used.

<sup>2</sup> Dollars received through the purchase of foreign currencies by any agency of the United States for its use abroad reduce the CCC loss on sales for foreign currencies. However, currencies received from sales but which are used by such agency without purchase are not an offset to the loss to CCC of its investment in the commodities disposed of under the act.



## STAFF COMMITTEE

My letter of September 9 also stated that I expected the Secretary of Agriculture "to assure the effective coordination of day-to-day operations through appropriate interagency relationships." To this end, the Secretary of Agriculture has established a working committee under the chairmanship of the Administrator of the Foreign Agricultural Service of the Department of Agriculture and consisting, in addition, of staff representatives from agencies on the Interagency Committee on Agricultural Surplus Disposal, and from the Department of Defense and the Office of Defense Mobilization. This staff committee, under policies established by the Interagency Committee on Agricultural Surplus Disposal, is responsible for consideration of specific proposals for sales or grants and for working out the detailed provisions of agreements, terms of sale, and the like.

## THE AGRICULTURAL PROBLEM

The agricultural problem, as it exists today, is the result of several factors, including the sharp expansion in agricultural capacity to meet the demands of war and the aftermath of war, continued rigid price support programs, the post-war recovery of foreign agricultural production, and the drastic reduction in foreign takings of United States farm products in the last 3 years.

In 1951, stimulated by the Korean outbreak, the value of our exports of farm products totaled \$4 billion. By 1953, our exports had been reduced by some 30 percent and only a slight improvement occurred in 1954. Stocks, especially of the principal export farm commodities, have rapidly accumulated in recent years. As of November 30, 1954, the investment of the CCC in price-supported commodities amounted to \$6.9 billion. \$2.75 billion was in wheat and \$1.39 in cotton, together representing 60 percent of the total.

## RELATIONSHIP TO FOREIGN ECONOMIC POLICY

In Public Law 480 the Congress recognized the possibility of increasing United States marketings of agricultural commodities abroad and at the same time helping to further our foreign policy objectives. Titles II and III of the act, by providing for the relief of distress abroad, express the natural humanitarian response of the American people to the needs of others.

It was recognized from the outset, however, that a careful administration of the act was essential in order to avoid serious harm to our own private export trade and to our relations with friendly countries. The economic strength and stability of many countries depend on their exports of the very commodities which are in surplus in the United States. If their sales in their usual markets were unduly disrupted by reason of our exports under the act, these countries might be forced to drastic price cutting, or find their economies so weakened as to prevent them from carrying their full share of our mutual defense burden. Should the operation of Public Law 480 lead to either of these potential results it would be contrary to our national interest.

## RELATIONSHIP TO NORMAL DOLLAR SALES

Careful scrutiny of each country program developed under Public Law 480 is needed in order to assure that normal dollar markets for United States agricultural commodities are protected, and to safeguard against the substitution of foreign-currency sales for sales which otherwise would be made for dollars. Such substitution would result in a budgetary cost without contributing to the solution of the surplus problem.

## RELATIONSHIP TO OTHER AGRICULTURAL SURPLUS DISPOSAL PROGRAMS

1. CCC Sales: January 1–November 30, 1954.—The Commodity Credit Corporation may, under the CCC Charter Act, sell price-support commodities for export without regard to price restrictions applicable to certain other types of sales. During the period January 1 through November 30, total dispositions of CCC commodities acquired under price-support programs amounted to over \$1.3 billion. Of this total nearly \$900 million represented commercial sales of which approximately half were for export. Under Public Law 480, such sales may now be supplemented by sales for foreign currencies. Commodities will be sold by CCC under Public Law 480 on the same price basis on which they are available for dollar transactions under other CCC export-sales programs.

2. MSA Program.—Section 402 of the Mutual Security Act of 1954 provides that not less than \$350 million of MSA funds shall be used to finance the export

and sale for foreign currencies of United States surplus agricultural commodities or products, in addition to commodities transferred under Public Law 480. This authority is used primarily to finance essential import requirements of countries which are not in a position to pay for such supplies. The foreign currency proceeds from the sale of surplus commodities acquired by Mutual Security dollar funds are used for the purposes for which the dollar appropriation was authorized.

3. *Welfare agencies.*—Section 416 of the Agricultural Act of 1949 authorizes CCC to make its commodities available to various public and private welfare agencies for the assistance of needy persons at home and abroad. Public Law 480 expands this authority by allowing more latitude in the declaration of commodities available under the section and in the costs which may be paid by the Government to pay certain program costs. Commodities are made available under these programs to eligible recipients free of charge.

4. *Urgent relief.*—In prior years Congress has, from time to time, enacted specific legislation to meet specific urgent need for food relief. Under Public Law 480 the President is now in a position to meet these needs without the necessity of requesting Congress for specific legislation.

#### POLICY FORMULATION

In Public Law 480 the Congress wisely provided safeguards against undue disruption of United States dollar sales or of sales by friendly countries. These provisions raised the question of the volume of sales that could be transacted in any given period without serious effects on the United States dollar trade or undue impairment of the traditional competitive position of friendly foreign countries.

Allowing for the fact that the value of commodities moved under title I may exceed \$700 million by the dollar recoveries from the appropriations of other agencies, the authority of titles I and II permits moving into export channels more than \$1 billion of commodities in a 3-year period. The act, allowing for such overage in title I, poses the problem of increasing, in a 3-year period, exports of surplus commodities by over 15 percent above the 1953 level without jeopardizing normal dollar sales or disrupting unduly the trade of friendly countries.

Against this background a total program of \$453 million was established for the first year of operation under title I. A program of this magnitude represents an increase of about 25 percent over the 1953 level of exports of like commodities.

#### ADMINISTRATION OF TITLE I

*Area distribution of first year's program (title I).*—Listed below are the figures comprising the \$453 million program for the first fiscal year, which represent 65 percent of the funds authorized for a 3-year period. These figures represent the total investment of the CCC in the commodities to be shipped and the costs of the shipping to be financed under the program. Export market value of certain commodities in the country programs is considerably less than the charge against the 3-year authorization. The breakdown of the funds by areas is as follows:

	<i>In mil- lions of dollars</i>
Western Europe-----	205.5
South America-----	44.0
Middle East (Turkey)-----	30.3
Southeast Asia-----	173.0
Total-----	452.8

Negotiations are being conducted with individual countries within the figures cited above. However, the individual country figures are not all being made public at this time since such information might prejudice the successful completion of negotiations. Following is a brief summary of program activity to date with the scope of the program indicated where feasible.

Turkey: The first agreement under title I was signed with the Government of the Turkish Republic on November 16, 1954. This agreement provides for the sale of approximately 300,000 tons of bread grains and feed grains to Turkey. Payment will be made in Turkish liras, half of which will be used in meeting United States expenses in that country and the remainder, as loans, for furthering Turkish development. This sale will mitigate the need created by a severe drought in that country which has resulted in inadequate supplies of wheat and feed grains



for Turkish domestic consumption. It is estimated that this program will total about \$30 million.

Japan: On November 13, 1954, representatives of the Governments of the United States and Japan reached an understanding on a program of approximately \$100 million, in terms of CCC investment under title I. The export market value of the program will total approximately \$85 million. The commodity breakdown of this program in terms of export market values is as follows:

	<i>In millions of dollars</i>
Wheat-----	22.5
Barley-----	3.5
Rice-----	15.0
Cotton-----	35.0
Tobacco-----	5.0
Subtotal-----	81.0
Ocean transportation-----	4.0
Total-----	85.0

The sale of these commodities to Japanese buyers for yen will be in addition to usual Japanese commercial purchases of these items from the United States. And the agreement specifically contemplates that Japan will complete its regular purchases of rice under agreements with Asian suppliers. The understanding described herein is subject to approval by the Japanese Diet before the formal agreement can be signed.

Yugoslavia: An agreement was concluded during the past week for the sale of approximately 425,000 tons of wheat and 50,000 bales of cotton to Yugoslavia under title I. The amount of this program is estimated at approximately \$60 million.

Pakistan: Negotiations are well advanced with the Government of Pakistan for a program totaling approximately \$31 million under title I. The principal commodity included in this program is cotton.

Programs for other countries: The programs described above total approximately \$220 million against the \$700 million authorization. Additional programs are now in the process of negotiation with 13 additional countries which will bring the total to approximately \$453 million. Details of these negotiations will be announced as soon as firm understandings have been reached with the foreign governments concerned.

*Commodity distribution of first year program.*—The development of programs has not yet progressed to the point where it is possible to make an accurate estimate of the ultimate commodity composition of the first year's programs. However, based on experience to date it is possible to make the following projections on a tentative basis:

	<i>Percent</i>
Grains-----	43
Cotton-----	28
Tobacco-----	14
Other commodities-----	7
Ocean transportation-----	8

These percentages are based on the export market value of the commodities which it is believed will be included in the first-year program. This basis of valuation is used instead of Commodity Credit Corporation costs since the purchase authorizations to foreign governments will be issued on that basis.

*Use of local currencies.*—As previously indicated, foreign currencies accruing from sales under title I may be used for a variety of purposes. In negotiating agreements with foreign countries an attempt is made to obtain a significant portion of such currencies for general United States uses. In each case provision is being made for use of some of the currency for helping develop new markets for United States agricultural products. It is anticipated that all agreements will provide for the use, subject to section 1415 of the Supplemental Appropriation Act of 1953, of at least 10 percent of the foreign currencies for payment of United States obligations abroad. Experience to date, however, indicates that in order to consummate sales in significant volume it is necessary for a considerable portion of the sales proceeds to be made available for financing economic development in the purchasing country. Under present policy, funds for this purpose are made available on a loan rather than on a grant basis.

As an example of the use to which the local currencies generated by the various country agreements are put pursuant to the act, there appears below the break-



down for the Japanese program. This program may be considered typical except that it contains no provision for purchase of strategic materials, which is expected to be a part of most agreements.

*Use of local currency (in yen equivalent of millions of dollars)*

Sec. 104 (a) Develop new markets.....	\$2. 0
Sec. 104 (c) Procure military equipment, etc.....	<sup>1</sup> 17. 0
Sec. 104 (d) Finance purchases for other friendly countries.....	5. 5
Sec. 104 (f) Pay United States obligations abroad.....	. 25
Sec. 104 (g) Loans for economic development.....	59. 5
Sec. 104 (h) International educational exchange.....	. 75
<b>Total</b> .....	<b>85. 00</b>

<sup>1</sup> Reimbursable in dollars from the Defense Department.

*Loan policy under Public Law 480.*—As may be seen from the above schedule, loans for economic development tend to be a proportionately large part of country programs.

The negotiations and conclusions of loan agreements under the act are a function assigned by Executive order to the Director of the Foreign Operations Administration. It was agreed at the outset by the National Advisory Council on International Monetary and Financial Problems that loans under Public Law 480 should be on substantially the same terms and conditions as loans made by the FOA under section 505, Public Law 665, 83d Congress.

*Exchange rate problems.*—In countries having multiple rate systems, the rates of exchange between their currencies and the dollar may differ with the purpose for which they are to be used. In such cases the rate at which the purchase price of the commodities will be paid in foreign currency must be negotiated to assure a rate adequate for the purposes of the United States, and at the same time conform to the pattern of exchange rates of the country concerned. Even where there is a single rate of exchange the possibility of loss exists through the depreciation of the value of the foreign currency prior to its use.

Similar problems arise when loans repayable in foreign currency are made. It is expected, however, substantially to avoid loss by denominating the loans in dollars.

It is difficult to reach agreement in all cases with the foreign countries concerned and obtain guarantees which would protect the United States against all conceivable loss. However, arrangements are sought which are as favorable to the United States as possible and at the same time permit the purposes of the act to be furthered.

## TITLE II COMMITMENTS

Title II programs already authorized or under active consideration to the end of December 1954, approximate \$125 million. It is estimated that an additional commitment of \$25 million will be required by June 30

Shipments already authorized total \$68 million including \$52 million in grain, \$10 million in fats, \$6 million miscellaneous. The \$68 million of shipments made or under way is composed as follows:

	<i>In millions of dollars</i>
Yugoslavia.....	32. 0
Bolivia.....	1. 2
Christmas food packages (45 countries).....	16. 7
Pakistan.....	2. 8
Libya.....	3. 2
Haiti.....	1. 9
Nepal.....	. 2
Danube flood:	
Austria.....	1. 9
Czechoslovakia.....	1. 7
Germany (Fed. Rep.).....	1. 0
Germany (Sov. Occ.).....	. 7
Hungary.....	2. 7
Yugoslavia.....	2. 2
	<hr/> 10. 2
	<hr/> 68. 2

## TITLE III

*Section 301.*—Since other authorities have been broad enough to cover disasters, there has been no occasion to date requiring the use of this section.

*Section 302, Domestic donations.*—During the current fiscal year, this authority has been used for donations to school lunch programs serving 10 million children, about 1.2 million persons in charitable institutions and 1.6 million needy persons. The following table shows the estimated quantities distributed under this authority.

*Estimated quantities of surplus foods donated to domestic recipients under Public Law 480, July 1 to Dec. 31, 1954*

[Millions of pounds]

Commodity	Total	School lunches	Charitable institutions	Needy persons
Butter.....	40.8	19.6	8.6	12.6
Cheese.....	31.6	15.4	6.9	9.3
Nonfat dry milk.....	23.9	10.5	5.2	8.2

*Section 302, Foreign Donations.*—Since Public Law 480 amendments to section 416 necessitated a number of new operations and procedures, this program is not expected to reach its full operation until the third quarter of this fiscal year. There is every indication, however, that there will be greater total use in meeting hunger and need abroad this year than last.

The table below shows the quantities approved for foreign donation for fiscal 1954 and orders approved from July 1 to December 31, 1954. These figures are for United States private welfare agencies and United Nations International Childrens Emergency Fund orders for 26.5 million pounds of dried milk for Korea. To date this fiscal year the Department of Agriculture has approved orders from 16 agencies for distribution to 41 foreign countries.

*Quantities approved for donation to United States private welfare agencies for distribution to the foreign needy*

[Millions of pounds]

Commodity	Under Sec. 416 of the Agricultural Act of 1949 fiscal year 1954	Under Sec. 302, Public Law 480 fiscal year 1955 through Dec. 31, 1954
Nonfat dried milk.....	92.7	109.0
Butter.....	60.2	41.1
Cheese.....	31.0	25.9
Cottonseed oil.....	0	9.0
Shortening.....	0	13.4

## BARTER

Section 303 of Public Law 480 authorizes CCC to barter its commodities for (a) strategic materials entailing less risk of loss through deterioration or substantially less storage charges, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required for offshore construction. All barter operations are conducted through private United States trade. Materials are accepted at prices not in excess of fair market value. From its own inventories CCC arranges to release against the barter contracts an equivalent value in agricultural commodities based on export market prices for sale in friendly nations.

## BARTER RESULTS

Prior to Public Law 480, the Department of Agriculture generally limited its barter activities under the CCC Charter Act, as amended, to those materials which could be immediately transferred to the stockpile or to other agencies with full reimbursement to CCC. Under this policy from the inception of the barter

program in mid-1949 until July 1, 1954, about \$110 million in surplus agricultural commodities were exported under the program.

Following the enactment of Public Law 480 and under agreement with the Office of Defense Mobilization that it would request appropriations for its long-term stockpile goals, the CCC broadened its policies. The CCC is now accepting strategic materials for its own account within such goals, in contemplation of transfer at an appropriate time to the national stockpile. As a result of the broadened program, barter activity has increased about 100 percent. For the last 6 months barter activities were about \$93 million, a figure almost equal to total activity during the previous 5 years.

Mr. WHITTEN. You have to run the gauntlet of State Department, Commerce, Treasury, Budget, under this channel. And, under the law, if you do sell commodities for foreign currency only 10 percent is supposed to go through the appropriation process of the United States and even that 10 percent can be waived. That is true, is it not?

Mr. MORSE. That is what the law provided. That is what Congress enacted.

Mr. WHITTEN. And that is a channel you are trying to use to get rid of these commodities?

Mr. MORSE. Some of them; yes, sir.

#### SALES OF COMMODITIES FOR EXPORT ON COMPETITIVE BASIS

Mr. WHITTEN. Now I will point out to you, Mr. Morse, that the charter of the Commodity Credit Corporation provides for the sale of these commodities on a competitive basis for export at any price you please. Why do you try to do it the hard way through Public Law 480, instead of under the authority of the corporation to sell its commodities on a competitive basis for export?

Mr. MORSE. The disposals under 480, as the law provides, are in anticipation that they will be without disturbance of normal channels of trade, and in anticipation that they will be over and above normal sales.

We have been undertaking, of course, to sell, and to sell in a way that will not depress the world markets in which the United States has a very great stake.

Our economy is tied to the world economy. To dump in a way that will depress the world markets in these agricultural products in the long run might be very disastrous to the interests of the United States.

Mr. WHITTEN. In other words, you subscribe under present conditions to our holding these commodities and trying to channel them out under the principles laid down under Public Law 480, even though the Commodity Credit Corporation is authorized to sell them competitively?

Mr. MORSE. No, sir; I do not.

Mr. WHITTEN. Have you announced the sale of any Commodity Credit Corporation stocks to American exporters for export on a competitive-bid basis?

Mr. MORSE. Yes, sir.

Mr. WHITTEN. You announced them on a competitive-bid basis to American exporters?

Mr. BERGER. Yes, sir.

Mr. WHITTEN. What commodities are those and what sales were made?

Mr. BERGER. Cottonseed oil, linseed oil, flaxseed, and—



Mr. WHITTEN. I would like you to list the commodities where you made no such offer for sale.

Mr. BERGER. We are selling wheat on a world-market basis. I think we are also offering oats and barley.

Mr. WHITTEN. Mr. Morse testified before this committee last year, and I tried to make this same point. I will put in the record the pages where this appears.

(The pages referred to above are as follows:)

Pages 15 through 30 of hearings on cancellation of Commodity Credit Corporation notes, January 25, 1954.

Mr. WHITTEN. The policy last year was to try to sell at a prevailing price. In other words, we analyze the world market, arrive at a prevailing price, and let our competitors under sell us, and then they came back to us as a residual supplier. We took up the slack. That was testified to in connection with this same Corporation last year, Mr. Morse.

Since that date, for those few commodities that you have mentioned, you have started to move them. I want a list where you have made no such effort to move them under the law whereby you can sell competitively.

Mr. BERGER. Butter was recently released. We can offer butter on a competitive world market basis.

Mr. WHITTEN. You say it was released. From whom did you get it released?

Mr. BERGER. The committee.

Mr. WHITTEN. What committee?

Mr. BERGER. The one you were talking about.

Mr. WHITTEN. You mean that the State Department let up a little on butter.

In Europe I met with most of our ambassadors, military, and foreign aid people, and our agricultural people. I spent the month of October there. And the thing that is hard to understand is that we have all this butter which we are not selling domestically. We like salt in it and put salt in it. The rest of the world doesn't, so we cannot sell butter in foreign markets, because they don't like salt. But we continue to put salt in it even though we know we will not sell it for export. What effort has been made to keep salt out of butter so we can sell it overseas?

Mr. BERGER. We have been willing to sell unsalted butter, haven't we, Mr. Richards?

Mr. RICHARDS. In our export announcements, such as we have had, and it had been at a fixed price, we have provided it doesn't have to be the identical butter, so that anybody who wanted to export butter without salt could go out in the trade and buy it and make an exchange for our butter.

Mr. WHITTEN. But you still base your support on salty butter?

Mr. RICHARDS. That is right. We are also faced with the problem that salt helps keep it better.

Mr. WHITTEN. The man I was quoting was a United States Department of Agriculture man, so I imagine he knew what he was talking about.

Mr. RICHARDS. Well, that is true, but at the same time in our price-support program we try to operate to take the normal supply that people are producing for the commercial market. Maybe that

is wrong, but we try to fit our operations into regular trade operations, and of course the trade operation in this country is to produce a salted butter.

There is another problem. The butter in this country according to food and drug standards is 80 percent fat. Some of the butter marketed in Europe is 82 percent fat.

That again is a trade practice throughout the country and we tend to follow that.

But we have also provided that if somebody wants to export butter with a higher fat content we also will trade our butter for that. I think it is perfectly possible, if our price is right, which I will agree up to now hasn't been for the mechanics of either exporting unsalted butter or higher fat content butter to be worked out very readily.

Mr. WHITTEN. In other words, we have been holding our butter above the world price and we knew we wouldn't sell at that figure?

Mr. RICHARDS. Price was a problem, Mr. Whitten.

Mr. WHITTEN. I want to point out again that the Commodity Credit Corporation has authority to sell it at any price to move it in world trade.

Mr. RICHARDS. That authority exists; yes.

Mr. WHITTEN. That is right. And we have not done it because of the attitude of the State Department, and those engaged in foreign aid. The same people identified with this Committee through which you are trying to channel these commodities into more foreign aid. That is what it amounts to.

Mr. MORSE. Mr Chairman, the cumulative total, January 1, 1954, through November, of CCC commercial sales for export, amounts to \$452,867,215. There have been sizable export sales.

Mr. WHITTEN. We have sold that much, haven't we?

Mr. MORSE. Yes, sir.

Mr. WHITTEN. Commercially?

Mr. MORSE. Yes.

Mr. WHITTEN. How many items are there which we have offered for sale on a competitive bid basis? How many commodities are included in that category since you were here last year?

Mr. MORSE. Mr. Berger gave you some of them. We continue to sell wheat under the International Wheat Agreement and competitively outside the Wheat Agreement.

Mr. WHITTEN. That is a relatively small number of commodities as compared with the total, and I would like to have percentages in the record. The ones where you have made such efforts to sell are a relatively small percentage of the total volume of commodities which you have, are they not?

Mr. RICHARDS. Mr. Whitten, it seems to me that dairy products is the principal one which we have not sold that way. We sold cottonseed oil, linseed oil, grain sorghums, barley, oats, and so on. It is true it has been a recent development, but we have sold a considerable number of commodities on a competitive bid basis and I think dairy products is the one we have not done that and it is the one where it might possibly work.

## REDUCTION IN COTTON ACREAGES

Mr. WHITTEN. I want those listed and I want you people to come back tomorrow so I can question you about it. I come from a cotton area. I had a report from one county where you have reduced cotton acreages. One of my counties has a total of 7 farmers which have been cut more than 50 percent.

These 7 farmers have approximately 100, largely Negro, families who will have no homes and will be out of work, as a result. In the hill area of that county there are a lot of farmers who have only 5 acres of cotton. One man was cut to 1¼ acre, and a bale of cotton brings at most \$175. The whole system of the Commodity Credit Corporation has been an attempt to cut back production.

Mr. MORSE. That is within the provisions of the law.

Mr. WHITTEN. That is right. We are trying to get into the question of soundness of the law.

Mr. MORSE. We testified repeatedly as to the problems created by cutting back production to maintain a 90 percent support price and raised questions as to whether that was good for a community—for the workers in a community, the farmers in a community, and so forth. We testified to that repeatedly before the Congress.

Mr. WHITTEN. You made that cutback; and I would like at this point in the record to show some effects of that cutback as evidenced by letters I am receiving.

(The material is as follows:)

## CONDENSATION ON COTTON ACREAGE LETTERS

*J. P. Sansing, Newton Bonded Warehouse, Newton, Miss., January 6, 1955.*—Small farmers in this area getting cotton acreage of 1.2 acres and 0.7 acres—banks cannot afford to lend money on such small acreage.

*Mrs. Sam F. Williamson, 201 Margin St., Grenada, Miss., January 6, 1955.*—Pioneer settlers now owning farm of 600 acres, with 6 Negro families. Acreage allotment only 30.7 acres. Oxford Production Credit Association always handled financing, and always repaid promptly, will no longer make loan, without first mortgage on land, equipment, etc.

*Ross R. Barnett, Jackson, Miss., January 3, 1955.*—New provision regarding 5-acre minimum makes it impossible for thousands of families to continue farming. Depressed prices in crops and livestock closes door to changing to other enterprises.

*Jack A. Warren, Jr., Magee Cooperative AAL, Magee, Miss., January 3, 1955, (enclosing copy of letter from Simpson County Coordinating Council).*—Many farms with allotment of less than 5 acres for cotton. Present situation in this locality will drive hundreds of small farmers, both landowners and tenants, from farm and ranks of unemployed will increase.

*A. C. Black, Slate Springs, December 29, 1954.*—Reduced to 100 acres in 1954, for 1955 find allotment only 80 acres. No place for tenants to go, but don't see how can work situation out.

*L. I. Bell, 102 West Columbia Avenue, Champaign, Ill.*—Moved from Duck Hill, Miss., to look for work because acreage cut from 3.9 to 2.3.

*R. E. Marchetti, chairman, County Committee ASC, Hazlehurst, Miss., December 11, 1954.*—Unless Congress can amend the law, giving us more cotton acreage, I feel certain condition of the small, or one-mule farmer is hopeless. Copiah reduced from 13,000 acres in 1954 to 9,300 acres for 1955. No remedy by this committee possible.

*B. C. McCachren, Enid, Miss., December 21, 1954.*—Cut from 56 acres in 1953 to 31.1 in 1954, and 25.9 for 1955. Three families to support; can't possibly live on this.

*Harry Turpin, Taylor, Miss., December 23, 1954.*—Owns 184 acres of land, paid for by 12 years of sweat and muscle. Allotted 5.8 acres of cotton. Can't possibly live on this.

*R. H. French, Galashiels Plantation, Denmark, Tenn., December 28, 1954.*—Acreage this year cut from 240 acres to 117, necessitating release of 5 families, most of whom are now on relief or substandard existence.



Mrs. Annie B. Burke, Route 2, Box 11, Hickory Flat, Miss., December 28, 1954.—Cut from 5 acres to 3.

Messrs. L. M. and Jas. C. Webb, Route 1, Courtland, Miss., December 28, 1954.—Reduced acreage causes great hardship.

Joe Schneider, Winona, Miss., December 18, 1954.—Spent a great deal of money improving farm in past few years, now acreage allotment will not take care of upkeep.

D. L. Rice, Oakland, Miss., December 31, 1954.—Hope Congress can provide for more acreage—small farmers hurt bad.

Mrs. L. B. O'Neal, 1311 Fourth Avenue, Jackson, Miss., December 15, 1954.—Have family of 17 on 165-acre place in Madison County. Last year we had 14.13 acres for cotton but due to drought made only 6 bales. This year allotted only 12.6 acres. Family on starvation.

Mr. Man'cy Wolfe, Tillotoba, Miss., December 20, 1954.—Owns 70-acre farm of 45 cultivatable acres. Allotted 7.8 acres for 1955—reduced from 15 acres last year. My only means of making a living and cannot live on this. Owns FHA house on which \$250 is owed. Cannot keep up payments on this acreage allotment.

Harry Parker, Hotel Barwin, Grenada, Miss., December 15, 1954.—Farm had 9 families and 4 day hands in 1954. Due to reduction in acreage will be able to use only 4 families and 2 day hands this year. Small farmers are in terrible shape.

Robbie Williams, Thyatira, Miss., December 6, 1954.—Bought 120 acres of land for \$8,000, having 12½ acres. Cut to 8.6 acres. Can't make my payments and live.

Mrs. Ruby M. Hicks, Route 2, Vaiden, Miss., December 11, 1954.—Can't live on this acreage allotment.

Mills Barbee, Hernando, Miss., December 9, 1954.—Have 42 acres only to provide for 6 tenants with big families.

R. R. Van Cleave, Route 3, Vaiden, Miss., November 18, 1954.—I am 60 years old. Because of drought can't live on my cows. Must have adequate cotton acreage allotment.

L. W. Maxwell, Pope, Miss., November 23, 1954.—Eight people to make a living on 8.4 acres of cotton. Just can't do it.

C. E. Wingo, Cotton Plant, Miss., October 19, 1954.—Allotted on 3 acres. Owe \$2,800. Can't possibly pay it off with this small acreage. No wonder all the young people are leaving the farms—too much of a struggle.

Mrs. Amy L. Williams, Star Route, Senatobia, Miss., November 9, 1954.—I am a widow; had to buy my stepchildren's interest in farm in 1952 in order to have place to live, still owe on it. Am barely making ends meet now on 27.2 acres this year and don't think I can make it if acres cut still more.

C. A. Slaughter, Route 1, Enid, Miss., November 15, 1954.—We have 60 acres in cultivation on this place, working from 15 to 17 acres of cotton each year. They cut us to 10 acres. There are two families and it isn't enough for us to be able to make it.

Ellis E. Randle, County Agent, Hazlehurst, December 9, 1954.—We have 1,199 farmers whose cotton allotment is less than 5 acres. These farmers are in bad shape.

R. M. Dakin, Cleveland, Miss., December 15, 1954.—We had 26 sharecroppers this year. Will be forced to let majority of them go, including manager with wife and 5 children, who has been with us for 15 years and completely satisfactory work. Also had to let rice man go, who has wife and 12 children.

C. M. Allen, Dundee, Miss., December 18, 1954.—Allotment of 771 acres in 1954 cut to 612 for 1955. Have had three droughts in a row and are barely out of the red. In 1953 produced 1,190 bales against 777 for 1954.

Julian Nelson, Route 1, Taylorsville, Miss., December 17, 1954.—Farming is my only source of income. I am 60 years of age, not able to do the labor myself but have a Negro family of eight who work for me. I have 58 acres in cultivation, and base cotton acreage is 28 acres. This year they gave me 18 acres and now they have cut me to 11.8 for 1955. What can I do?

Miss Josephine Goodwin, Route 2, Sarah, Miss., November 15, 1954.—I have been living on my 173-acre farm for about 12 years. I was allowed to plant only 6 acres of cotton this year, and can't get by on that.

W. A. Billups, Holcomb, Miss., November 15, 1954.—I was allowed 37½ acres for cotton. How does Mr. Benson expect me to keep my farm up, educate my children, furnish money for three large families of Negroes and not lose my farm? Soon I will have to decide whether to put one of these families in the road. Please help me get relief.

*Ralph Redditt, Sidon, Miss., January 7, 1955.*—Deplorable cotton acreage situation in Carroll County. Six to seven hundred farmers in county planted 5 acres last year and will have from 1 to 4 acres this year. Have talked to two bankers in Carrollton and they say will be very difficult to finance these farmers. Also bankers in Greenwood confirm this. The proposed 1955 cotton allotment will work a great hardship on the majority of our people. I can't believe the cotton program is designed to bankrupt a county or area.

*W. H. Robinson, 205 North 26th Avenue, Hattiesburg, Miss., January 7, 1955.*—We need a min'm m on this acreage, even if only 3 acres. Present crops of 3 acres could virtually be eliminated otherwise.

*Stanton A. Pepper, Route 1, Blytheville, Ark., January 7, 1955.*—Roads are full of croppers and renters who don't know where to go or what to do. Please get us more cotton acreage.

Mr. WHITTEN. I would also like to insert a resolution adopted recently by the Delta Cotton Council.

(The resolution is as follows:)

RESOLUTION ADOPTED BY DELTA COUNCIL, NOVEMBER 18, 1954, ON FOREIGN TRADE

We urge that our foreign trade policy, tariff, and import regulations be thoroughly overhauled and geared to our present-day economy. We recommend the adoption by our Government of positive, announced export targets for agricultural commodities in keeping with United States agricultural resources and the size of the world market. For cotton, this goal should be 5 to 5½ million bales annually. Export goals for agricultural commodities should be established so as to be recognized around the world and should be supported in such a manner as to place United States commodities on a competitive basis in foreign markets.

OFFERING OF COTTON STOCKS FOR EXPORT

Mr. WHITTEN. I checked with the Department this morning, and the Department has no program of selling cotton competitively from the Commodity Credit Corporation's stocks. The information I received from the Department itself is that the only program you have is to run the gantlet of this committee in which Treasury, State, and everybody else has to approve it before you can sell it. I am talking about the Commodity Credit Corporation stocks which you counted in determining the reduction in cotton acreage. That was the statement of the Department this morning.

Mr. RICHARDS. We have not offered cotton from Commodity Credit Corporation stocks for export.

Mr. WHITTEN. How long has it been since you have offered cotton from Commodity Credit Corporation stocks for export? Is it not a fact that you have no such program to move cotton in Commodity Credit Corporation stocks on a competitive bid basis into world trade?

Mr. RICHARDS. Exports are being made of cotton all along, so that our cotton is moving. It is moving through private hands and for that reason has not been sold out of Commodity Credit Corporation stocks.

Mr. WHITTEN. Did you offer any last year or have you offered any this year from Commodity Credit Corporation stocks in world trade?

Mr. BERGER. The cotton people recommend that we not do that.

Mr. WHITTEN. I do not mean to go around them. Have you offered any Commodity Credit Corporation stocks to American exporters on a competitive basis? Commodity Credit Corporation stocks are not available to American exporters on a competitive basis so that they can compete with this million-bale production that we have been instrumental in building up in foreign countries.



Mr. RICHARDS. A large part of the cotton trade has not wanted us to offer stocks for sale at all.

Mr. WHITTEN. What it means, then, is that you are setting the world price for cotton at the prevailing price in the United States?

Mr. RICHARDS. Yes, sir.

Mr. WHITTEN. And it means you are inviting an increase in production in India where they have 30 cents a day labor.

Mr. BERGER. Yes.

Mr. WHITTEN. Your program helps bring about what I saw in Italy, namely, Pakistan and Russian cotton. It helps cause some big American producers to go to Mexico and Peru to produce cotton. Is the Department going to continue to hold this big supply back by cutting these farmers that have 5 acres or less of cotton? Are you going to continue that policy?

Mr. MORSE. Are you suggesting that we move into the world market?

Mr. WHITTEN. I am suggesting that of necessity we are going to have to recapture our world markets; and the Department of Agriculture has done precious little to do it.

Mr. MORSE. I am interested in that viewpoint very much, that you suggest we move into the world markets.

Mr. WHITTEN. We have built up these reserves and are going to have to gradually move back in for the good of all concerned. I would suggest that certainly beginning July 1—and the only reason I am suggesting we begin then is that I do not know what is involved in the present market operations, and I do not want to hurt anybody—but I would suggest an announcement that beginning July 1 at least 100,000 bales of cotton will be sold each week to American exporters.

Mr. BERGER. Would you include linters?

Mr. WHITTEN. I have not studied that as much. But having gone through Europe, where you can see countries buying agricultural commodities from all over the world because of our shortsighted policy, I feel it is time we move American agricultural products back into world trade on a competitive basis.

Mr. MORSE. During the July–September quarter our cotton exports were 644,000 bales, which is an increase of 21 percent over the preceding year. You suggest that we move in with these Commodity Credit Corporation stocks when the traders are selling cotton?

Mr. WHITTEN. I would suggest that you announce now that at the beginning of the new crop year you will move it. You are trying to cure the problem by cutting back the cotton acreage.

Mr. MORSE. We would be very happy to explore that suggestion.

Mr. RICHARDS. The entire cotton industry recommended last summer to the Secretary that no export subsidy be paid on cotton.

Mr. WHITTEN. Where did you get any idea you would have to pay a subsidy?

Mr. RICHARDS. Selling it at a reduced price.

Mr. WHITTEN. You have had authority from the start to sell these stocks competitively in world trade channels, and the State Department would not let you. That is the fact about it. Do you not agree that you had the authority to sell it?

Mr. MORSE. Yes.

Mr. WHITTEN. Do not your records show that where you offered to sell some on a competitive basis you sold over \$400 million worth?



Mr. RICHARDS. A large segment of the industry would be opposed to that.

Mr. WHITTEN. Are you interested in the viewpoint of the man who is being put out of production?

Mr. RICHARDS. I do not know if the co-ops represent him, but at least the co-ops have that feeling too.

Mr. ANDERSEN. Mr. Chairman, I would like to ask a question at this point.

Mr. WHITTEN. Mr. Andersen.

Mr. ANDERSEN. Does the cotton industry committee include producers in that committee in a sufficient degree?

Mr. RICHARDS. I want to modify that to say a large segment of the representatives of various organizations in the cotton business.

Mr. ANDERSEN. After it leaves the small producer's hands; is that what you have reference to?

Mr. RICHARDS. I do not say the cotton cooperatives represent the producers, but I would presume they do, and they were in the group.

#### REDUCTION IN COTTON ACREAGES

Mr. WHITTEN. I would like the record to show how much reduction you have made in acreage this year from last year and last year from the preceding year.

(The material requested is as follows:)

*Commodity Stabilization Service—Comparison of 1954 and 1955 national acreage allotments established under acreage allotment and marketing quota programs*

	1954 national acreage allotment	1955 national acreage allotment	Increase (+) or decrease (-), percent	Planted acres, 1954
Tobacco:				
Flue-cured.....	1,053,135	1,009,000	-4.2	1,042,200
Burley.....	399,463	362,000	-9.4	403,700
Fire-cured.....	55,847	50,500	-9.6	51,200
Dark air-cured.....	23,248	20,950	-9.9	20,800
Virginia sun-cured.....	6,111	5,750	-5.9	4,200
Cigar-filler and binder.....	46,877	47,700	+1.8	34,000
Peanuts.....	1,610,000	1,610,000	-----	<sup>1</sup> 1,368,000
Wheat.....	62,000,000	55,000,000	-11.3	61,971,000
Cotton:				
Upland.....	21,379,358	18,113,208	-15.3	<sup>2</sup> 19,776,000
Extra long staple.....	41,261	46,154	+11.9	<sup>2</sup> 34,600
Corn.....	46,995,504	( <sup>3</sup> )	-----	( <sup>4</sup> )
Rice.....	1,859,099	( <sup>5</sup> )	-----	2,462,000

<sup>1</sup> Estimated harvested acreage.

<sup>2</sup> Acreage in cultivation, July 1.

<sup>3</sup> Not yet announced.

<sup>4</sup> Data now being compiled—will be available at time acreage allotments on 1955 crop of corn are announced (not later than Feb. 1, 1955).

<sup>5</sup> None in effect.

Mr. WHITTEN. Now I will burden the committee by reading from a letter from a cotton company in Memphis, Tenn. I will not mention the name. I spoke to the agricultural group in the midsouth area and this letter followed. It is addressed to Mr. William A. Crabill, president of the Delta Council. It reads:

I understand that the Delta Council is deeply interested in increasing exports of cotton. With the thought that some views from the trade might be interesting to you, I enclose copy of letter which I wrote to the Honorable Jamie L. Whitten a week ago.

My principal reason for writing to you is to explain why, from the standpoint of the whole southern economy, I believe that the Whitten plan of selling a fixed quantity of cotton to the highest bidder each week will be much more effective in winning back our exports and discouraging the present trend of increased foreign production of cotton.

Let us assume an export subsidy of 4 cents per pound. At first, the increased foreign demand would indicate that next year's crop of say 11½ million bales would not be enough to go around and prices would immediately rise 2 cents. This 2 cent rise in price would immediately nullify one-half of our export subsidy. Then the foreign producer, as he must do because he cannot carry his cotton as we carry ours, will sell his cotton for 25 points under our effective 2-cent subsidy. The trouble with a fixed-price loan over here, or a fixed-price loan less a subsidy, is that the foreign producer must sell his cotton and will always hold his price just a little under our price until he has sold.

Under the Whitten plan, protected by the loan, the producer will get 1 cent per pound over the loan, but the weekly sales of a total of 5 million bales will vary from week to week and the foreigner, not having an umbrella to protect him, will be discouraged from gradually bringing this country to a domestic cotton economy.

The foreign producers really don't fear an export subsidy for the reasons mentioned above. I believe the Whitten plan will do the trick and then after 2 or 3 years, the cotton producing countries may get together and agree that our share of the world cotton market is 5 million bales and then the dogfight will come to an end.

Mr. MORSE. What he is suggesting is an export subsidy plan. That is, in essence, what he is suggesting.

Mr. WHITTEN. No, it is a differential. It is a recognition that American support prices are to offset American costs.

Mr. MORSE. Whether you call it a differential or a subsidy, the dollar-and-cents effect is the same.

Mr. WHITTEN. The one who wants to smear it calls it a subsidy and the one who favors it does not call it a subsidy. Do you know of any country in the world with something it does not need which will not sell it? We are the only nation in the world which has things that we do not need and will not sell them.

Mr. MORSE. I cannot stress too strongly the fact that we have made what to us seems like very encouraging progress, and to do this job most constructively we think we should have the cooperation and work with the State Department, the Treasury Department, and so forth, in these monetary exchange problems and convertibility.

Mr. WHITTEN. It makes we think we should have somebody else to look after agriculture, then.

Mr. MORSE. We feel we have come quite a way and that we are making substantial progress. I am not saying we have gone as far as we should.

#### VALUE OF COMMODITIES NOT OFFERED FOR SALE ON COMPETITIVE BASIS

Mr. WHITTEN. What is the value of the commodities which you have on hand and which you do not offer for sale on a competitive bid basis? I would like for you to insert a list on the total number and value of those commodities that our exporters cannot buy from you on a competitive bid basis to go into the world market.

(The material requested is as follows:)

*Commodity Credit Corporation—Report of price-support commodities as of Dec. 29, 1954, based on records and known commitments in CSS commodity divisions and offices*

Commodity	Unit of measure	Estimated stocks in merchandising position <sup>1</sup>	Estimated total stocks <sup>2</sup>		
			Quantity	Approximate unit cost	Total cost (thousands)
Cotton:					
Upland.....	Bale.....	1,804,934	1,804,934	\$170.585	\$307,895
Linters.....	do.....	1,094,068	1,097,898	58.586	64,321
Dairy:					
Butter <sup>3</sup> .....	Pound.....	221,879,000	266,423,000	.645	171,843
Cheese.....	do.....	315,228,000	334,762,000	.397	132,901
Milk, dried.....	do.....	51,162,000	90,270,000	.162	14,624
Whey, dry <sup>3</sup> .....	do.....	25,738,332	25,738,332	.055	1,416
Grains and seeds:					
Barley <sup>3</sup> .....	Bushel.....	7,696,000	10,181,000	1.323	13,469
Beans, dry edible <sup>3</sup> .....	H u n d r e d - weight.	288,000	323,000	9.212	2,975
Corn.....	Bushel.....	592,547,000	<sup>4</sup> 594,057,000	1.652	981,382
Flaxseed <sup>3</sup> .....	do.....	268,000	308,000	4.214	1,298
Grain sorghum <sup>3</sup> .....	H u n d r e d - weight.	6,153,000	7,568,000	2.935	22,212
Oats <sup>3</sup> .....	Bushel.....	19,831,000	21,560,000	.874	18,843
Rice:					
Rough.....	H u n d r e d - weight.	16,000	26,000	4.899	127
Milled.....	do.....	1,569,000	1,590,000	10.296	16,371
Rye <sup>3</sup> .....	Bushel.....	1,887,000	2,212,000	1.552	3,433
Seeds:					
Hay and pasture.....	Pound.....	30,203,000	30,771,000	.490	15,078
Winter cover crop <sup>3</sup> .....	do.....	26,703,000	26,708,000	.140	3,879
Wheat.....	Bushel.....	666,379,000	705,931,000	2.591	1,829,067
Naval stores:					
Rosin.....	517-p o u n d drums.	668,944	668,944	39.059	26,128
Turpentine.....	50-gallon bar- rel.	57,467	57,467	27.230	1,565
Oils and peanuts:					
Cottonseed oil:					
Crude.....	Pound.....	9,060,000	9,060,000	.127	1,150
Refined.....	do.....	324,000,000	354,000,000	.179	63,366
Linseed oil <sup>3</sup> .....	do.....	54,639,000	59,839,000	.169	10,113
Olive oil <sup>3</sup> .....	Gallon.....	354,214	354,214	2.552	904
Tung oil <sup>3</sup> .....	Pound.....	20,865,998	38,335,992	.273	10,466
Tobacco.....	do.....	2,267,000	2,267,000	.314	712
Wool:					
Pulled.....	do.....	9,960,751	9,960,751	1.245	12,401
Shorn.....	do.....	100,293,023	100,293,023	.646	64,789
Total.....					3,792,728

<sup>1</sup> Estimated CCC stocks which are in store and not committed for sale or movement.

<sup>2</sup> Estimated total stocks owned by CCC, including stocks shown in col. 1, plus commitments to purchase less commitments to sell. Includes 1 million bales of cotton and 400 million bushels of wheat set aside, and limited as to disposition, pursuant to Agricultural Act of 1954.

<sup>3</sup> Indicates commodities some quantities of which have been offered for sale on a competitive-bid basis during the past year. In the case of seeds, vetch only has been offered. Those not so indicated were not so offered.

<sup>4</sup> Does not include all quantities of corn to be delivered to CCC under the 1952 crop resale and 1953 crop programs.

#### POLICY RELATING SALE OF COMMODITIES ON COMPETITIVE BASIS

Mr. MORSE. When you refer to competitive selling do you mean Government selling or trade selling?

Mr. WHITTEN. Trade selling.

Mr. MORSE. When the trade is selling wheat into export, is that competitive selling?

Mr. WHITTEN. It is. It means that when Mr. X, who is exporting cotton, sees a chance to increase his exports, he would be a bidder when you released this cotton, and he would have a source of supply where he could increase his exports, perhaps.

I will tell you why I am digging into all this. Mr. Morse, last year you told us that the State Department's attitude was controlling on



this matter. At least, that was the way I took it. Every time I pointed out that we were gradually building up production throughout the rest of the world of wheat and cotton and other things by holding an umbrella over it, I was hit by the fact that the State Department and our foreign policy required such a policy. I got permission to visit with our military, agricultural, foreign-aid, and political people in Europe. I went to almost every country in Europe and spent the month of October there. I attended a meeting of the agricultural attachés in Paris, and there was not one who knew we had authority to sell or what price we would take. I did not find a man representing the United States Government in Europe who knew we had authority to sell competitively.

What are Great Britain and Holland doing to move their commodities into export? Do you know how much they are spending to move their commodities into export as compared to what the local people pay or what the cost is? Do you know?

Mr. MORSE. I would be glad to have any information that you can furnish us.

Mr. WHITTEN. It has been estimated that England's bill for that work is about 385 million pounds annually. But the point I want to make is, high officials in England and in Holland said "A great rich country like the United States should not try to sell what it has and does not need on world markets." But our agricultural people in Europe are like you are, they do not know enough about what Holland and England are doing to argue back.

Mr. MORSE. As you know, the agricultural attachés have just been moved into our jurisdiction, and I think we will have a different situation.

Mr. WHITTEN. When I went over there I did not expect to find anything wrong with our people over there. I thought the trouble was here in Washington, but I thought the evidence was over there. Until you in Washington change, it will not help a bit, because until you give them that information they cannot help.

You have stated we have no policy of offering it on a competitive basis, but we are cutting the American farmers back and back and back to absorb the world's increased production in these very commodities, and the crux of it is the State Department.

Mr. ANDERSEN. Would you yield at that point?

Mr. WHITTEN. Yes.

Mr. ANDERSEN. I want to be fair. I am critical of the Department in some points, but I do not think we can blame the Department of Agriculture for the failure in getting rid of our surplus production, because I think it was the overall policy of the Government as a whole not to sell it abroad. I do not think we can blame Mr. Morse or Mr. Benson or the Department of Agriculture because we know an Iron Curtain has been set up by the State Department against exportation. I think Mr. Whitten has done a splendid job for agriculture in the past few years in urging that this Iron Curtain be broken.

Mr. WHITTEN. May I say I do not charge that the present policy or lack of policy is the one that the Department of Agriculture would choose. But I know that the Commodity Credit Corporation charter authorizes the sale of these commodities on a competitive bid basis, and I know that wheat importers in Germany told me they would buy at least 2 million tons if we would meet the French price, which is \$6 per ton lower than ours. And we will not do it.

I feel it is time, if it is not the Department of Agriculture's fault, that you point out whose fault it is. Why are you using Public Law 480, that makes you run the gantlet, instead of using the authority in the charter that lets you do what you please? The American farmer is entitled to an answer. Whoever made that decision must have a reason, and I would like to hear it. But the American farmer is entitled to an answer.

Mr. MORSE. We have a great stake in the stability of the agricultural markets in the world in behalf of the American farmers as well as all citizens.

Mr. WHITTEN. Do you not think you would have trouble selling that to folks who have been cut below 5 acres?

Mr. MORSE. If they understood the situation, I think they would recognize the soundness of the statement I am making. We cannot move too rapidly in these situations. The activities under Public Law 480 by its provisions are not supposed to disturb the normal channels of trade, so that when we go as far as we can and the trade is going as far as it can in the sale of these commodities, and we develop the possibilities of selling for foreign currencies above that, that is when Public Law 480 comes into operation.

Mr. WHITTEN. The American trade cannot sell in world markets below the American support price, can they?

Mr. BERGER. Sure, they can.

Mr. MORSE. If they want to.

Mr. WHITTEN. These exports have to be at the support level or better in the United States, do they not?

Mr. MORSE. Except in the case of wheat.

Mr. WHITTEN. We have an international agreement. But except for wheat it means any export we may have has to be at the support level. It invites every country with 30 cents a day labor to go into production. As long as you have commodities and will not offer them for sale competitively, you are promoting the increase in production in every country and you are contributing to cutting the American farmer farther and farther back, are you not?

Mr. MORSE. We hope that will not be the trend.

Mr. WHITTEN. Can you not see that that is the effect?

Mr. MORSE. In the case of cotton we are expecting exports to be up 10 percent this year, which is considerable.

Mr. WHITTEN. It has been stated that this is essential for the recovery of Europe and other countries. I made a check to see what the status of those countries are. Economic recovery in Western Germany since 1948 has more than tripled as compared to 1936. Export trade is 20 times its 1947 level. In France it is 150 percent above prewar. In Italy agricultural production is 124 percent above prewar and industrial production 160 percent.

Also, in Belgium, industrial production was 142 percent of prewar levels. In addition, Belgium carried a large surplus with the European Payments Union in the amount of \$235 million, as of April 4. In the Netherlands, industrial production rose to 163 percent of prewar levels in 1953, and in December 1953 she carried a surplus of \$370 million with the European Payments Union.

Productivity in the United Kingdom has increased well above prewar levels, and industrial production is 127 percent over 1938. Her gold and dollar reserves have almost doubled since 1951.

The answer has been given that we could not sell because of a shortage of dollars. So, I got those figures, and I would like to have this table placed in the record at this point. It contains a wealth of information which will be of some help.

(The matter referred to is as follows:)

#### 1. TOTAL UNITED STATES EXPORTS

[Millions of dollars]

	Agriculture	Total	Percent agriculture
1934-38.....	748	2,700	28
1938-39.....	683	2,885	24
1952-53.....	2,819	15,126	19
1953-54 (estimate).....	2,936	15,226	19

Source: Foreign Agricultural Trade, USDA.

#### 2. SHIPMENTS UNDER AID PROGRAMS

[Millions of dollars]

1945.....	\$1,365
1948.....	2,309
1952.....	429
1953.....	360

Source: Foreign Agricultural Situation, USDA.

#### 3. FOREIGN COTTON PRODUCTION

[Thousands of bales]

	Europe	Asia	South America	Africa and Oceania
1942.....	71	7,169	3,039	1,770
1945.....	80	5,842	2,044	1,966
1949.....	143	5,921	2,418	2,991
1952.....	266	8,809	2,688	3,524
1953.....	323	9,514	2,686	3,015
1954 (estimate).....	356	9,615	3,003	3,057

Source: Foreign Agricultural Service, USDA.

#### 4. UNITED STATES EXPENDITURES IN EUROPE (INCLUDES MILITARY, DEFENSE SUPPORT, AND OFFSHORE PROCUREMENT

[Millions of dollars]

	1953	1954	1955 estimate
Austria.....	89.3	46.5	30.70
Belgium-Luxembourg.....	58.7	67.7	87.40
Denmark.....	31.0	31.7	32.40
France.....	662.0	949.6	1,530.95
Germany.....	319.7	323.8	282.30
Iceland.....	19.6	18.2	18.20
Italy.....	246.1	284.7	298.60
Netherlands.....	106.1	106.3	106.20
Norway.....	24.9	37.6	33.90
Portugal.....	17.8	20.8	22.00
Spain.....	13.6	30.6	77.80
United Kingdom.....	614.7	505.5	527.90
Yugoslavia.....	114.5	66.9	63.00
Greece.....	86.5	58.4	63.30
Turkey.....	58.7	55.5	109.90
Total.....	2,463.2	2,603.8	3,284.55

Source: 1955 budget justifications, FOA.

#### 5. TECHNICAL ASSISTANCE IN EUROPE, INCLUDING GREECE AND TURKEY

[Millions of dollars]

1953.....	21.0
1954.....	13.6
1955.....	9.4

Source: 1955 budget justifications, FOA.



Mr. WHITTEN. This table shows that in 1954 for military defense support and offshore procurement we spent in Europe, including Greece and Turkey, \$2,603 million. This year it is estimated that we will spend \$3,284 million—and I am talking about dollars that these countries will have.

Now, if you will analyze it further, figures on world trade, which are shown in this table, show we are selling a lot of things for dollars over there.

The only thing here is we are not selling agricultural commodities. Why? Because we do not offer them for sale on a competitive-bid basis. It is just as simple as can be.

Either that is your policy or it is the policy of the Government which comes from a source higher than you—one or the other.

Now, is that your idea of a sound policy, or is it one which is being forced on you by the feelings, maybe completely sincere, of others?

Mr. MORSE. In the first place, I believe that we are entirely together, Mr. Chairman, in that we believe in moving these commodities and selling them, and moving them out. So, there is no difference in objectives, if there appears to be any difference. It is a question of how fast we move on it, and the methods by which we move.

Now, as I have indicated, we have felt that we were making very encouraging progress. The disposal program is moving more rapidly in many instances than we had anticipated would be the case, even earlier this year.

Mr. WHITTEN. Mr. Morse, they have the dollars in Europe. They are 150 percent above prewar levels. We have held our commodities off so other people could have the markets, to the point that they now argue about whether we have a right to go back and sell. It has reached that point.

Mr. MORSE. Those arguments are beginning, I think, to disappear, because we are getting into the world market competitively.

Mr. WHITTEN. The place for this matter to be handled is right down here on Pennsylvania Avenue.

The people over there will buy American commodities if we will match the price.

Let me repeat again that you do not have to sell government to government. We can offer these commodities on a gradual basis, and I think it might be best to wait until the present crop is moving. I have not had a chance to study what effects an immediate action would have. However, if these commodities were offered for sale periodically on a competitive-bid basis to American exporters for export, do you not think you could help needy people of the world by making what we have available to them?

Would it not be better to make it available to them than hold our products back and make them harder to get from some other place? Do you not agree with me on that?

Mr. MORSE. We would be glad to reexamine this matter of export subsidies by differentials—

Mr. WHITTEN. Now, you are trying to smear it, Mr. Morse.

Mr. MORSE. No, sir; but I would call it a differential.

Mr. WHITTEN. If you had 3 ears, and did not need 1 of them, and sold it for less than what you paid for it, would that be a subsidy?

Mr. MORSE. We will call it—

Mr. WHITTEN. I am asking you that question, based upon that illustration. Would that be a subsidy?

Mr. MORSE. If someone else had to make up the difference there——

Mr. WHITTEN. Does not the United States Government own these commodities?

Mr. MORSE. The United States Government would come in to pay the differential.

Mr. WHITTEN. Just answer me, Mr. Morse: Does not the United States Government through the Commodity Credit Corporation own title to these commodities?

Mr. MORSE. Yes, sir.

Mr. WHITTEN. And since the Government owns them, is it smart for us to hold them and take these losses and cut the American production back, or to sell them and at least get 75 percent out of the dollars which we have invested?

Mr. MORSE. That becomes a matter of policy, and relationship to our program.

Mr. WHITTEN. Would it be smarter to take the whole loss and cut the American farmer back, as this record will show, or to sell these commodities, and make them available to those who need them, and perhaps get 75 or 80 cents out of a dollar of the investment?

You cannot tell me which would be the wiser policy to follow?

Mr. MORSE. The other approach has been examined and reexamined. It has been reexamined in relation to some other commodities since Congress was in session here. We have been trying to get the very best judgment on it which we could secure, and we would be very glad to get that information to you.

Mr. WHITTEN. I am sorry that the record will have to show that you do not know which one of those is the wiser course. I asked your opinion on that in a question.

Mr. MORSE. We feel that we are doing what is best under the circumstances, and also in the light of the laws, and the intent of the laws.

Mr. WHITTEN. Which law do you have reference to?

Mr. MORSE. I have reference to Public Law 480, and all of the laws under which we are operating.

Mr. WHITTEN. Well, let us read here, briefly, the Commodity Credit Corporation charter, and see if you are following it:

Section 5 (f) authorizes the Corporation to export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities. Under the Charter Act, these commodities may be commodities acquired under price-support programs or specifically procured for export purposes.

The Charter Act contains no restrictions on the prices at which commodities may be sold by the Corporation.

Section 407 of the Agricultural Act of 1949, as amended, does establish minimum prices at which the Corporation may sell commodities owned or controlled by it, except in the case of sales for certain specified purposes. Sales for export, however, are specifically exempt from the application of this minimum price restriction.

Why do you suppose the Congress, in writing the very charter of the Corporation itself, authorized the sale of its commodities without restriction in world trade for export? Why do you suppose they wrote that in there, unless they meant to use it when we needed it?

Mr. MORSE. That was to give us authority, and we have been using it. We have liquidated most of the oil stocks which we held, and I believe we have done it without disturbing the world markets. In fact, the reduction of our oil stocks have, I believe, contributed to some

signs of firming up the world markets in this type of commodity. Where you have American traders and other people selling cotton in this country and already moving a commodity like cotton abroad, then it becomes a rather important merchandizing decision as to whether we ought to move out more Government-owned commodities which might disturb the merchandizing which is going forward.

Mr. WHITTEN. I recognize those factors, but there is also the American farmer. And in all of this discussion which you have given I have never heard you say a word for him this afternoon. Do you not think that is a factor which should be considered? In all of the discussion which we have had you have not said a word about the interest of the American farmer.

Mr. MORSE. Mr. Chairman, I believe, earlier in this discussion I pointed out that in testimony of last year in trying to help the Congress to arrive at an improved situation, as far as the laws were concerned, we expressed repeatedly our concern for the American farmer—not only the American farmer, but the laborers working in these communities in the cottonfields, as well as the local businessman and the total economy of these local areas. We were proceeding on the basis that to maintain a price, it was required that we have these production cutbacks and production controls. Now, I want to say that that was intended as a very strong expression of concern at the time, and I repeat it here again, of concern on behalf of the American farmers under such a system. My concern is no less today than it was a year ago, and the year before, when we were testifying before the Congress.

Mr. WHITTEN. How many tenant and rental farmers in the Southeastern States have been left without a home and any place to work at all as a result of the last order cutting cotton acreage?

Mr. MORSE. I do not know. That order is under the law as Congress wrote the law.

Mr. WHITTEN. Yes; as Congress wrote the law——

Mr. MORSE. That is the operation of the law.

Mr. WHITTEN. Under that law, it is provided that you have to cut the cotton on the basis of what the Commodity Credit Corporation holds, other than the set-aside, which you do not even offer for sale competitively.

You counted that cotton in setting the reduction which you had to make; did you not? In other words, this cotton which you have not tried to sell on a competitive basis was counted, and in the counting it cut down the total number of acres that the American farmers could have?

Mr. MORSE. That is part of the carryover of cotton; yes, sir.

Mr. WHITTEN. You have been giving away a lot of these commodities; have you not, under Public Law 480, in the drought areas?

Mr. MORSE. Yes, sir; under the various authorities and the expanded authority, more is being given away.

#### QUANTITY AND VALUE OF DONATIONS

Mr. WHITTEN. Could we have in the record the number of those commodities you are giving away under that program, and a list of those commodities which during the last calendar year you did not offer for export on a competitive-bid basis?



In other words, I want to show you did not try to sell them on a competitive-bid basis.

Mr. MORSE. We would be very glad to include those in the record. (The matter referred to is as follows:)

*Commodity Credit Corporation—Quantity and value of donations, calendar year 1954*

	Quantity	Dollar value
1954 emergency feed program:		
Corn <sup>1</sup> .....bushels	1,430,138	2,191,324
Grain sorghums.....hundredweights	2,082,256	4,565,886
Oats.....bushels	1,714,597	1,431,871
Barley.....do	6,725	7,416
Total, 1954 emergency feed program.....		8,196,497
Under sec. 416:		
(a) Domestic:		
Butter, creamery.....pounds	76,990,100	48,050,286
Cheese, Cheddar <sup>1</sup> .....do	57,985,304	23,109,687
Milk, nonfat, dry <sup>1</sup> .....do	56,500,335	10,084,165
Subtotal.....		81,244,140
(b) Export:		
Butter, creamery.....pounds	100,064,830	63,180,437
Cheese, Cheddar <sup>1</sup> .....do	78,940,957	32,566,359
Milk, nonfat, dry <sup>1</sup> .....do	186,269,798	35,818,171
Butter oil <sup>1</sup> .....do	24,308,400	20,662,140
Cottonseed oil, refined.....do	27,224,500	6,283,414
Subtotal.....		158,510,521
Total under sec. 416.....		239,754,661
Under Public Law 690 (83d Cong.):		
(a) Veterans' Administration: Butter, creamery.....pounds	802,259	483,152
(b) U. S. Army:		
Butter, creamery.....do	6,250,886	3,750,532
Cheese, Cheddar <sup>1</sup> .....do	421,069	168,428
Milk, nonfat, dry <sup>1</sup> .....do	63,000	12,600
Subtotal.....		3,931,560
Total under Public Law 690.....		4,414,712
Total.....		252,365,870

<sup>1</sup> Includes commodities not offered for export on a competitive-bid basis.

Mr. WHITTEN. You are handling this program, are you not, making these commodities available?

Mr. MORSE. Yes, sir.

Mr. WHITTEN. Will you obtain for the committee information as to what percentage of them in the South—and you can enlarge it to apply elsewhere if you wish—are for people who are without homes and without work, as a result of this cutback in cotton acreage?

Can you obtain that information? In other words, if they farmed last year, why is it that they cannot farm this year?

#### AVAILABILITY OF COMMODITIES FOR SCHOOL-LUNCH PROGRAM

The other question I would like to ask you on that is in regard to the school-lunch program. It is the beneficiary of many of these commodities?

Mr. MORSE. Yes, sir.

Mr. WHITTEN. I believe you testified that the Commodity Credit Corporation stocks are larger than they have been at almost any time in its history?

Mr. MORSE. That is right.

Mr. WHITTEN. That is, the total stocks?

Mr. MORSE. Yes, sir.

Mr. WHITTEN. Why is it that in one county in Mississippi—and I understand it is true in other States—that you had 16 shipments this year of agricultural commodities as against 30 such shipments at this time last year. Why cannot you obtain the additional commodities?

Mr. MORSE. Do you mean for relief purposes?

Mr. WHITTEN. No, sir; for the school-lunch program. There has been a cut in agricultural commodities made available to the school-lunch program of something like 45 percent, at a time when you have more commodities than you ever had before.

Mr. MORSE. It is my understanding that all of the commodities which we have, are made available to the school-lunch program, except for wheat and corn. Of course, we have only a little rice stocked up to the present.

Mr. WHITTEN. I am going on the information which was given to me, and if the facts are different, I would be very glad to have them.

Mr. MORSE. We made a report yesterday, Mr. Chairman, for the end of the calendar year on the greater utilization of surplus foods, in which we summarized the disposals of surplus foods donated for domestic and foreign use.

I do not know whether that has come to your attention, but it was just released yesterday. You might want to make that a part of this record. I think it would help amplify the extent to which the whole program has operated. The entire report may be of some use, if it is placed into the record, if you would like.

Mr. WHITTEN. I am glad to have that go into the record.  
(The matter referred to is as follows:)

#### UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, *January 10, 1955.*

#### USDA ACHIEVES GREATER UTILIZATION OF SURPLUS FOODS

Distribution of surplus foods to users in this country and abroad was increased substantially during the second half of 1954, the United States Department of Agriculture reported today, through intensified efforts to gain maximum benefits from our food abundance. New legislation enacted by the last Congress played an important part in making possible the increased utilization—particularly in the relief of hunger and need—of foods which have been acquired by the Department in price-support and surplus-removal operations.

Food donations during the July-through-December 1954 period totaled approximately 442 million pounds, compared with 602 million pounds during the 12-month period from July 1953 through June 1954. Donations to schools, institutions, and needy persons in this country totaled 244 million pounds in the last half of 1954, compared with 418 million pounds during the 12 months of the fiscal year ending June 30, 1954. Donations to United States welfare agencies for distribution abroad totaled 198 million pounds in these last 6 months of 1954, compared with 184 million pounds during all of the previous fiscal year (July 1953 to June 1954).

Secretary of Agriculture Ezra Taft Benson, commenting on this year-end report, said: "The success of these efforts to make the best use of our bounty of food is gratifying to all of us who believe that food serves its best purpose when it moves into consumption.

"Reducing the inventory of commodities which has been built up is, of course, most satisfactorily accomplished by their sale, when that is possible. When it is not, we should take full advantage of the value of those foods which lend themselves to donation programs by making them available to those who can use them and would not otherwise get enough of them.

"Our desire to make full use of our food supply is the principal reason we are pressing for increased use of these foods, both at home and abroad. Fortunately, their increased use also has a market-stabilizing effect as it reduces the market burden of inventories, and it also serves to reduce substantially the storage charges which accumulate so rapidly on commodities we hold in inventory."

#### DOMESTIC DISTRIBUTION

There was increasing distribution of Government-donated foods during the second half of 1954 as more States took advantage of the availability of these commodities to help more needy persons. In addition, the enactment of the new Public Law 480 helped make a number of commodities continuously available for domestic donation. Figures on quantities of surplus foods donated for domestic distribution follow:

	Last full year (July 1, 1953- June 30, 1954)	This half year (July 1-Dec. 31, 1954)
To—	<i>Pounds</i>	<i>Pounds</i>
Schools .....	246, 000, 000	124, 600, 000
Charitable institutions .....	134, 300, 000	54, 600, 000
Needy persons .....	37, 500, 000	64, 600, 000
Total .....	417, 800, 000	243, 800, 000

Commodities donated this year include butter, cheese, dry milk, cottonseed oil, shortening, beef and gravy, dry beans, and several other commodities in smaller amounts for limited distribution.

To make this program most effective, foods distributed are those of maximum benefit to the recipients and most nearly ready for table use. Since these foods are available only because of price-support and surplus-removal operations, it is obviously not possible nor desirable for the Department to provide all the kinds of food the recipients might need. Although a wide variety of essential foods have been donated, some requests have been made for wheat and corn to be distributed to needy persons. These commodities are storable for long periods and therefore are available for future sale or barter and other important reserve purposes. At the same time, the donations of these commodities would have a very limited impact on the problem of surplus disposal. Further, the Department does not have authority to process these commodities, and—in view of the administrative difficulties involved—has not authorized their donation. However, in the case of another cereal, rice—which is available in ready-to-cook form—distribution is expected to be made out of Government inventory in the near future. Rice is peculiarly adapted to United States donation.

Distributions to school-lunch programs serving more than 10 million children and to some 1,300,000 persons in charitable institutions and hospitals ran at about the same rate during the last 6 months of 1954 as during the previous fiscal year. But distributions to the "needy persons" group increased, as an aid to victims of drought and hurricane and the unemployed, principally coal miners and railroad workers.

As of December 31, 1954, about 2,620,000 needy persons living outside institutions in 33 States and Alaska had been certified by States to receive commodities. At 4 persons to a family, this represents about 655,000 families. Of this total, approximately one-fourth are such public assistance recipients as aged, blind, dependent children, etc. As more States took advantage of the availability of these foods and set up the necessary machinery for distribution to drought victims and the unemployed, the States then extended their distribution to include the regular public assistance recipients already on their rolls. The other three-fourths of those certified for commodities receive no other form of public assistance.

Pennsylvania had the largest number of persons certified to receive food, over 950,000. Mississippi, Alabama, West Virginia, and Kentucky—in that order—all had close to or above 200,000 persons certified. Others having more than 25,000 persons certified were Michigan, Oklahoma, Iowa, Virginia, Ohio, California, and Utah.

The value of the commodities being distributed, including packaging and transportation, is estimated at nearly \$5 million a month, based on recommended amounts distributed to those in the needy-persons group certified to receive surplus foods.



Distribution of surplus foods is operated under a plan which follows the policy of full utilization of State government facilities, and the well-established principle that relief for the needy is a primary responsibility of the State government. The Department delivers the commodities, free of cost, in carload lots to States after they have made satisfactory arrangements for distribution. State agencies determine the eligibility of recipients of these foods, and take full responsibility for all distribution within the State.

#### FOREIGN DISTRIBUTION

Increases in the quantities of foods distributed abroad during the last half of 1954 result principally from liberalization of the enabling legislation by the last Congress. Public Law 480 amended previous legislation to permit greater latitude in the use of United States food stocks to aid persons in friendly countries overseas. The Department is working under this new legislation with United States private welfare agencies and intergovernmental agencies. Figures on quantities of surplus foods donated for foreign distribution follow:

	Last full year (July 1, 1953- June 30, 1954)	This half year (July 1-Dec. 31, 1954)
Agencies participating.....	18	16
Countries receiving food.....	40	41
Total distribution.....pounds.....	183, 900, 000	198, 400, 000

Commodities being distributed this year include nonfat dry milk, butter, cheese, shortening and cottonseed oil. Currently participating agencies are American Friends of Austrian Children, American Friends Service Committee, American Jewish Joint Distribution Committee, American Mission to Greeks Assemblies of God—Foreign Service Committee, CARE, Church World Service, International Rescue Committee, Iran Foundation, Lutheran World Relief, Mennonite Central Committee, Tolstoy Foundation, Unitarian Service Committee, United Lithuanian Relief Fund of America, United Nations Children's Fund and War Relief Services.

Countries receiving food are Austria, Belgium, Brazil, Chile, Colombia, Egypt, England, Formosa, France, French Morocco, Germany, Goa, Greece, Haiti, Hong Kong, India, Indochina, Indonesia, Iran, Israel, Italy, Japan, Jordan, Korea, Lebanon, Liberia, Malay States, Malta, Okinawa, Pakistan, Panama, Paraguay, Peru, Philippine Islands, Ryukyu Islands, Spain, Trieste, Tunisia, Turkey, Venezuela, and Yugoslavia.

This program of foreign distribution is administered by USDA, but the Foreign Operations Administration is responsible for approving the agencies and their programs, and provides funds for payment of ocean transportation for most shipments. Following FOA approval, the agencies submit estimates of their needs, and proposed plans of operation for each country. As commodities are made available to them, the agencies submit orders to USDA. When signed by USDA, these orders become contracts binding the agencies to their terms and conditions. In accordance with the law, all requests from the States for domestic donations of foods are met before commodities are made available for use in foreign countries.

*Quantities of surplus foods donated for domestic and foreign use, fiscal year 1954  
and estimated 1st half fiscal year 1955*

[Million pounds]

Commodity	Domestic						Foreign distribution		Total distribution	
	Schools		Institutions		Needy persons		Fiscal year 1954	1st half fiscal year 1955	Fiscal year 1954	1st half fiscal year 1955
	Fiscal year 1954	1st half fiscal year 1955	Fiscal year 1954	1st half fiscal year 1955	Fiscal year 1954	1st half fiscal year 1955				
Butter.....	42.6	25.0	24.2	11.0	4.9	16.0	60.2	41.1	131.9	93.1
Cheese.....	26.7	20.0	13.4	9.0	5.0	12.0	31.0	25.9	76.1	66.9
Dry milk.....	13.5	14.0	11.0	7.0	5.0	11.0	92.7	103.0	122.2	141.0
Beef and gravy.....	114.7	22.2	52.7	7.4	10.4	7.4	-----	-----	177.8	37.0
Dry beans.....	2.0	19.0	5.5	8.0	2.4	11.0	-----	-----	9.9	38.0
Shortening <sup>1</sup> .....	15.2	16.0	10.0	10.9	3.7	7.1	-----	22.4	28.9	56.4
Other <sup>2</sup> .....	31.3	8.4	17.5	1.3	6.1	.1	-----	-----	54.9	9.8
Total.....	246.0	124.6	134.3	54.6	37.5	64.6	183.9	198.4	601.7	442.2

<sup>1</sup> Includes cottonseed oil.

<sup>2</sup> Includes several commodities in limited amounts.

Mr. MORSE. You see, there is one item which has disappeared from the donations to school lunches. In 1953 we bought and distributed canned beef because of the step-up of marketing which was precipitated by the drought. This year there were no such purchases. As those stocks which were acquired in 1953 have been exhausted, they are dropped out of the items made available not only to the school-lunch program, but for institutions and needy people.

So, that is one item which occurs to me which has been discontinued, and that has been done because we do not have them in stock.

Now, of course, in the school-lunch program, as you know, we use section 32 funds to buy surplus items which we do not have in CCC inventories.

#### EFFECT OF LACK OF SUPPORT FOR POULTRY AND POULTRY PRODUCTS

Mr. ANDERSEN. If you will permit, Mr. Chairman, is it not also a fact, Mr. Morse, that you do not have available for distribution today very much in the line of poultry and poultry products?

Mr. MORSE. That is true.

Mr. ANDERSEN. That is largely because of the policy of the Department of Agriculture in not having any support beneath those products, because, naturally, if they did not have the support beneath them, you do not accumulate any of such products.

Mr. MORSE. That is right; we have not purchased poultry or eggs.

Mr. ANDERSEN. That is correct.

Mr. MORSE. Neither have we purchased turkeys.

Mr. ANDERSEN. I want to say for the record that as the result of the lack of support for poultry and eggs throughout the State of Minnesota this past calendar year farmers have incurred huge losses.

I tried, through the President and the Secretary of Agriculture, to secure action in regard to that matter last August, when good medium eggs were selling around 13 and 14 cents a dozen, in my area, and pullet eggs were down as low as 6 and 7 cents.

The only answer I received was that it was not deemed advisable to put any support beneath such prices.

Consequently, a program such as the school-lunch program, does not have available to it supplies which would naturally accrue to it through the operation of a price support program upon those products.

I am merely expressing my own opinion here to the effect that I think the action of the Department of Agriculture in refusing to support eggs and poultry production and poultry as such this last summer and fall was deplorable.

Do you not agree with me, Mr. Marshall?

Mr. MARSHALL. Yes. Just on the basis of the announcement that the Secretary might buy eggs when the egg market was in a deplorable condition caused the price of eggs to rise 3 cents a dozen on the Chicago market.

Mr. ANDERSEN. That was brought about simply by the announcement.

Mr. MARSHALL. That increase, however, was entirely lost by not following through with that proposal.

Mr. ANDERSEN. I just cannot see such a policy, personally.

Mr. MARSHALL. Will the gentleman yield?

Mr. ANDERSEN. Certainly.

#### PURCHASES OF EGGS FOR SCHOOL-LUNCH PROGRAM

Mr. MARSHALL. I noticed in a New York paper—I think it was on the 2d of January—that a statement was made to the effect that the Government was now buying eggs for the school-lunch program. Is that definite? Are you now buying eggs for the school-lunch program?

Mr. MORSE. There is a new process for drying eggs, I believe, Mr. Marshall, which has become available, and there has been an announcement in regard to the purchase of eggs for the school-lunch-program use for the month of January.

January has been designated as "Egg month." However, this was done in order to try out this new process which has been developed in regard to eggs. It is not a price-support program.

Mr. Chairman, when the Senate was in session, the Agriculture Committee asked if I would come up and testify on this whole area of poultry and egg price supports. I have a statement which was submitted at that time dealing with the questions which have been raised.

We sought the very best advice we could get on this matter at that time, and we stayed out advisedly.

At that time the Senate committee desired to know who would be on this advisory committee, to which reference has been made, and we put the list in the record. We discussed it man to man after going over this case with the Senate committee, and they seemed satisfied. At least, there were few questions raised.

Mr. WHITTEN. We would be glad to have a copy of that submitted to the committee at this time.

Mr. MORSE. We would be very glad to make it available.

Mr. WHITTEN. The record shows that there have been 13 freight-rate increases since 1932, and every one of them was predicated upon laws which were passed which gave bargaining rights and returns on



investments. However, farm costs have gone up 12 percent in the last 2 years, and income is down 13 percent. As long as you face those costs which have come about for various reasons, you have got to follow through with some degree of balance. I mention that as the reasoning behind some obligation to do something about it.

Mr. MORSE. We recognize that, but in exercising that obligation, we want to be very careful that we do not want to do more damage than we do good. That was the advice which we received, and I assure you that we explored it last spring when we saw this situation developing.

However, the number of eggs which had gone into incubators and the eggs which were being hatched for flock replacement caused us to call the people together. We consulted widely with people who represented producers who were in the best position to know, and we proceeded in the way in which we thought would represent the best interests of the farmers.

#### POLICY RELATING TO SALE OF COMMODITIES ON COMPETITIVE BASIS

Mr. WHITTEN. Mr. Morse, I should like to point out as a result of these policies or lack of policies that since 1938 the agriculture share of exports has gone from 28 percent of the total exports down to 19 percent.

I have used throughout this hearing the illustration of cotton, which I know in detail, but the same applies to most United States agricultural commodities.

Further, the record shows that in Asia, from 1945 to 1954, cotton production increased from 5 million bales to 9 million bales.

In South America from 1945 to 1954 it went from 2,044,000 bales to 3,003,000 bales.

This was all during the period when we were holding our commodities of cotton under a world price. That production, too, is figured into this acreage reduction which the Department has issued. All of those are figured into the formula, which results in a reduction.

I would like to point out again the way it looks to me: The Commodity Credit Corporation Charter Act authorizes the sale of these commodities in export on a competitive basis. It authorizes the sale of those commodities to American exporters on a competitive-bid basis. Instead of using that authority with regard to many of the major commodities, you are trying to go through Public Law 480, whereby you have to go through a committee that has representation of the State Department, the Treasury Department, the Commerce Department, and all the rest. In other words, you are trying to go the hard road with all sorts of hurdles in it, where the real benefits go to the countries over there, because the currencies will be spent over there. The President's message shows, I believe, that a major portion is for their economic welfare.

You are doing that instead of using a clear-cut authority in the charter of selling on a competitive basis.

I cannot understand how anybody can claim he has really tried to sell when he follows the hard way instead of the easy way.

May I tell you that I talked to one of your top men in Paris about the troubles they had had in trying to swap this stuff off in Public Law 480. He said, "Of course, in this case we ended up selling for

dollars." I interrupted to ask, "Did you ever hear of anything more foolish than to try to swap something off when the other fellow will get back what he gives you, when all the time you could have sold it for dollars?"

The record shows that we are spending over \$3 billion in Europe, and we will not sell them what we have for dollars. We are trying to swap for currency, which we will turn around and give back to them.

Mr. MORSE. I believe we have definite encouragement in the fact that this rapid decline in export sales has not only been stopped but exports have turned back up. We expect substantial increases in sales.

Mr. WHITTEN. I want to know about the improvement in the State Department. When are you going to get them to turn you loose?

Mr. MORSE. I want to point out the fact that some of these features of these new laws which Congress enacted last year are not yet operative. They will help this situation.

Mr. WHITTEN. Pardon this interruption, but does that law not say, "This is an additional authority"?

Mr. MORSE. Yes, sir.

Mr. WHITTEN. Does that not clearly contemplate you would use what you already had first and then fall back on this?

Mr. MORSE. That is what we are undertaking to do; yes, sir; dispose of commodities over and above the market we have otherwise.

Mr. WHITTEN. Could we help you by getting the State Department witnesses up here and asking them to turn you loose?

Mr. MORSE. I would not be able to answer that.

Mr. WHITTEN. I am asking you a serious question. We are about to wreck the American economy and the American farmer.

Mr. MORSE. As I have already testified, we feel that we are getting cooperation and that we are making very substantial progress in this whole area.

Mr. WHITTEN. With the State Department?

Mr. MORSE. With the other departments of Government. We feel that we can best move on this with their cooperation.

Mr. WHITTEN. You may proceed, Mr. Andersen.

#### FLEXIBLE PRICE SUPPORTS

Mr. ANDERSEN. Mr. Morse, as I look over your general statement I personally do not see that the Congress has any course but to permit you this additional expenditure limitation. You have to have the money necessary to handle the stocks.

However, to me your entire statement represents one thing: It shows the fallacy of what the Congress did last summer in establishing flexible price supports.

I want to point out to you the statement on page 7. Just why have we produced 13 billion pounds more of milk than you estimated would be produced, which is an all-time record? Why is it necessary that the Corporation will acquire about 566 million pounds of dairy products more than the amount which you thought last spring would be acquired?

It is simply because the Congress mistakenly—and I think here the chickens are beginning to come home to roost quite rapidly—put out a psychology of defeatism in the way of lower farm prices through

that farm price law last summer. Farm prices are gradually going down, and we have reached the point today where we have only 86 percent of the average of parity for farm prices as of December 31.

Mr. MORSE. Mr. Congressman, I think one of the most favorable developments that is taking place in American agriculture today in this area of price supports and related activities is in dairying. The Government bought no butter in December. Production has leveled off. The sales of dairy products have increased.

The parity index on milk has been higher in the latter part of this year than when the change was made from 90 down to 75. We feel that this is a very encouraging trend that has been established; that the dairy industry is headed toward a much more profitable situation.

Mr. ANDERSEN. Now, Mr. Morse, I will not argue with you on that; but nevertheless your statement says that we are milking 500,000 more cows today than previously, and that we are producing 13 billion pounds more of milk products now. Why is that? Simply because the farmers are turning in desperation trying to secure a few additional dollars out of their feed grains by enlarging their milk herds and their milking operations.

Right in your own statement, Mr. Morse, you say the Corporation will acquire about 566 million pounds of dairy products more than the amount upon which the budget estimates are predicated. How can you say the picture looks any brighter?

Mr. MORSE. The budget estimate initially was 2 years back. This estimate refers to the present fiscal year, which runs through to the 30th of June, 1955. The 500,000 cow increase was the increase in actual numbers over our estimate of the number on farms on January 1, 1954, a year ago. I do not believe the livestock census will be out yet for another 30 days or so, so we do not have the trend in the calendar year 1954, definitely.

#### AVERAGE PARITY LEVEL

Mr. ANDERSEN. My figures about the present average parity level being 86 percent, the lowest since 1941, are correct; are they not?

Mr. MORSE. Yes, sir.

Mr. ANDERSEN. And is it not correct to state that the general average parity price level has dropped 2 percent in the last 6 months, at least?

Mr. MORSE. Yes, sir.

Mr. ANDERSEN. I believe the figure was 88 or 89 percent last May.

At least I am personally worried about just where that decline is going to end. What is being done to halt it?

Mr. MORSE. We think that it has pretty well run its course. Before we came into office I believe the decline in the parity ratio had been some 19 points in 2 years.

Mr. ANDERSEN. That is correct.

Mr. MORSE. In the 2 years that we have been in office the decline has been 8 points. The decline has averaged less than half of the decline during the preceding 2 years.

Mr. ANDERSEN. My recollection is that in January 1953, the parity level was about 94 percent.

Mr. MORSE. Yes, sir.



Mr. ANDERSEN. In comparison to the high point of 1947 or 1948, when it was 115 percent. It has dropped, as you said, 19 parity points beneath the top figure and that was the figure in January 1953.

What I am concerned about is that it has dropped another 8 percent in these last 2 years, and I am beginning to wonder if it is going to stop dropping or if we are on a decline which cannot be halted, Mr. Morse.

Mr. MORSE. During that 2 years, of course, the 90 percent rigid price supports have continued in effect. The flexible prices, so far as the basic crops are concerned, will not begin to take effect until this year, and later this year.

Mr. ANDERSEN. The psychological effect of those so-called flexible price supports, however, went into effect due to all that clamor in the press last May and June. That has already had a psychological effect, just like the announcement of price support buying programs has a stabilizing effect on the market.

I ascribe the last 3 percent drop from 88 or 89 of last May to this time to that. There is nothing to ascribe it to except the adoption of the flexible price-support program.

Mr. MORSE. In this last month the all-crop index—that is in the crop area where the 90 percent on basics is effective—moved up 1 percent. It has been in livestock and livestock products where there have been adjustments; and in poultry, as you have cited.

Mr. ANDERSEN. I still stand by my statement that as of January 1, according to the Department's own figures, the average parity index is approximately 86 percent. Is that correct, gentlemen?

Mr. MORSE. Yes. That was the December 15 price index.

Mr. ANDERSEN. That is all, Mr. Chairman.

Mr. WHITTEN. Mr. Marshall.

#### INCREASED RESPONSIBILITIES OF AGRICULTURAL STABILIZATION AND CONSERVATION OFFICERS

Mr. MARSHALL. On your statement on page 10 you state, Mr. Morse, that the remainder of the increase, \$898,000, is due to the increased responsibilities of the State agricultural stabilization and conservation offices. What increased responsibilities do they have?

Mr. MORSE. I would ask Mr. Beach to discuss this.

May I make one point, Mr. Chairman, gentlemen of the committee, and Mr. Marshall, you see, last year we came before Congress twice and got this borrowing authority increased. This adjustment of budget goes back to a 2-year-old estimate. In anticipation of this increased load we got our borrowing authority increased, but there was no comparable increase in funds to cover administrative costs. This is what we are faced with now.

I just wanted to make that overall statement. Mr. Beach, could you answer the Congressman's question?

Mr. BEACH. The figure was \$898,000, I think, Mr. Marshall, that you referred to. That is designed to do an overall job of increasing the degree of supervision that the State offices are in a position to give the county offices with respect primarily to the price-support program.

There has been a tremendous increase in the responsibilities of the county offices, in terms of workload, from the fiscal year 1954 to the fiscal year 1955, as we indicated in the justifications submitted.

Mr. MARSHALL. If I may interrupt, maybe I misunderstand. I understood from your statement that the amount before was being charged for the increase of workload, and that this separate fund you are approaching here in your justification was for some additional responsibility.

Mr. BEACH. No, sir. It ties in to the increase in workload.

Mr. MARSHALL. Then why do you break it down? Why do you not put it all in as a workload?

Mr. BEACH. Sir, there is an increase in responsibility in the State offices. The work of liquidating the price-support loans, which, under the decentralized loan program, has been a responsibility of the county offices, is being shifted effective January 1 to the State offices. It did not work. In other words, the relationship between the commodity office, which handled overall accounting for all these loans, and each individual county, was too burdensome to enable them to reconcile out the loan accounts at the county level. They have changed the policy and placed the responsibility on the State office for seeing that the county loan accounts are reconciled in that State. The State office then works directly with the commodity office, which means the commodity offices work directly with the 48 States on the loans of those States, and each of the State offices works with the counties in the State. That is a change from the operation last year.

The reason we set it out separately is to indicate where these increases are taking place. There is an increase in the workload at State level because of the tremendous increase in the workload at the county level. There is more supervision, more program-specialist time, more farmer field time, more auditor time, and so on, required in the State offices as a result of the big increase in program volume in the counties. Some of the increases are very large.

The list of commodities and the increased volume on each is shown in the justifications. Take collateral acquisition, which is a very big job in the county offices and needs close supervision from the State-office level. For barley there was 402 percent increase from the fiscal year 1954 to the fiscal year 1955. Oats increased 329 percent. Rye increased 310 percent. Grain sorghums increased 83 percent. Soybeans increased 61 percent. Corn increased 28 percent. Likewise there was a 963-percent increase in the amount of barley loans outstanding over the preceding year, and large increases occurred in most other commodity loans.

The figures are tremendous from the standpoint of percentages. Obviously you do not need a percentage increase like that in operating expense, but the auditors have criticized the administration of the State and county offices in many respects, and most of their criticisms go directly back to the lack of adequate supervision and direction from the State offices. That is what is being attempted here, to get a start on improving that situation.

Mr. MARSHALL. That is a bit interesting to me, Mr. Beach. I was in a county in my district, and a county committeeman was talking with me. He said, "In our county we have three men out checking corn at these bin sites. Formerly we had one." I said, "What is the reason for the increase?" He said, "I do not know." I said, "Could one man not handle it?" He said, "He always used to handle it, but now I do not have any authority any more. The State office is handling that."

So you have 3 men compared to 1 doing work that could be done by 1. Is that the customary way?

Mr. BEACH. No, sir; that is a circumstance I know nothing about. As has been pointed out to the committee before, the expenses of the county offices in handling these programs are not borne from this limitation. They are borne from the capital funds of the Corporation under an authorization by the Board of Directors.

Mr. MARSHALL. Are these three men in a county like that charged to the county?

Mr. BEACH. Yes, sir.

Mr. MARSHALL. Or to the State?

Mr. BEACH. They are charged to the county.

Mr. MARSHALL. They are charged to the county?

Mr. BEACH. If they are working out of the county office.

Mr. MARSHALL. Who hires these three men?

Mr. BEACH. The county committee has full responsibility.

Mr. MARSHALL. They hire the three men?

Mr. BEACH. Yes, sir.

Mr. MARSHALL. Then this county committeeman must be misinformed. He does have some responsibility?

Mr. BEACH. Under the established procedure the county committee has full authority for hiring and firing, including the county manager.

Mr. MARSHALL. He insisted to me they were employees of the State.

Mr. MORSE. We would be glad to have information about such instances and check into them.

Mr. BEACH. There is a possibility that they had members of one of these roving crews that they utilize in some of these States. I do not know the situation in Minnesota, but in some States they have crews that go from one county to another to assist at peak-load time, particularly in the maintenance of the bins, but not necessarily in handling grain in and out of the bin.

Mr. MARSHALL. This \$898,000 you are asking for would have no relation to that?

Mr. BEACH. No, sir; this would have relationship only with respect to the supervision that the States give the counties and not what counties do in the way of handling workload themselves. This would go to pay farmer fieldmen's salaries, administrative officers' salaries, program specialists' salaries, and all that.

#### INCREASE IN PERSONNEL

Mr. MARSHALL. Do you have any breakdown of this \$898,000 that would show how much increased personnel is involved?

Mr. BEACH. Yes, sir; I can indicate how many the additional people would be.

There is one other aspect I did not describe to you, and that was the portion of the increase that related to the increased supervision of the grain-bin program itself. Included in that \$898,000 is \$188,000 for the employment in the Washington office of a very small number of people, and in the State offices of a small number of people, who have one responsibility, and the one responsibility only, and that is supervision and direction of the bin program in the States. We are only putting those people in the States where there are a large number of



bins—Iowa, Minnesota, Nebraska, and so forth. There are 14 States involved.

There will be one man reporting to the administrative officer in that State office whose sole responsibility is supervision and direction of the bin operation in the county. There will be 1 man in the area director's office in Washington, covering say 5 or 6 States, in which that particular State is located, whose sole responsibility is working with the States on that. And there will be one top man working with the Grain Division in Washington to be certain that the whole thing works together and operates as it should.

There has been a good deal of criticism and it ties back to Mr. Andersen's criticism of last year.

Mr. MARSHALL. You will recall, though, that a year ago in a comment before this committee Mr. Andersen, who was then chairman—

Mr. BEACH. That is correct.

Mr. MARSHALL. Was very insistent that the responsibility of county committeeman be not removed.

Mr. BEACH. This does not remove it at all. The main purpose of this change is to have qualified people get out and give the State and county offices assistance no one else is in a position to give. They have to be trained men. They have to know the business of handling of grain, the fumigation of it, the maintenance of structures, and the need for storage in areas where the problem arises. We believe that this will have quite an influence in improving those operations.

There are 38 people involved in that particular part of the increase for the country as a whole, but in the \$898,000 as a whole, there is a total of 142. The total number of people we have in the State offices working on CCC matters is 419. Considering that they are supervising and directing all the counties that have all the CCC price-support business, that is not a very large number.

Mr. MARSHALL. Do you have a breakdown of the \$898,000?

Mr. BEACH. Of that total, \$710,000—

Mr. MARSHALL. Could you put a breakdown of that figure in the record?

Mr. BEACH. Yes, sir.

Mr. MARSHALL. I should like to have a specific breakdown of that, showing just what you have charged.

Mr. BEACH. In other words, how we plan to use it?

Mr. MARSHALL. That is right.

Mr. BEACH. Much of it has already been allocated.

(The information is as follows:)

Position	Number of man-years involved	Cost
Farmer fieldmen.....	26.7	
County office auditors.....	14.3	
Program specialists.....	36.5	
Clerks.....	24.0	
Stenographers and typists.....	21.1	
Total.....	122.6	\$710,000
Grain storage specialists and assistants.....	19.4	188,000
Grand total. ....	141.0	898,000

## EGG PROGRAM

Mr. MARSHALL. Coming back to the matter of eggs, since we were talking about eggs a moment ago, how many eggs do you contemplate buying under this new proposal? You were talking about buying those eggs in January.

Mr. MORSE. Yes; 2 million pounds.

Mr. RICHARDS. I think the ratio is 3 dozen to 1 pound.

Mr. MORSE. That is not a price-support operation, as I say. That is for school-lunch use.

Mr. BERGER. You had a special request, Mr. Morse, from the school-lunch people wanting to try out this new type of dried egg. There are only about four plants in the United States today able to make this new type of dried egg. They wanted to try it out to see if it would not be possible for them to use a larger quantity of dried eggs, if they had the new type of dried egg.

You see, they partially remove a bit of the sugar out of the egg and get a much better tasting scrambled egg than you did from the old eggs, which so many people dislike, particularly the veterans.

Mr. MARSHALL. Is that charged to the administrative cost of this program?

Mr. BERGER. No.

Mr. MARSHALL. Then we will take that up when it comes up.

Mr. BERGER. They did a brilliant piece of research, you might say.

Mr. MARSHALL. We will go into that when we come to it.

## MILK CONSUMPTION

Mr. Whitten was talking with you about some of our foreign-market problems. In the January 9 issue of the St. Paul Pioneer Press there is an editorial by Mr. Stedman. Mr. Stedman states in that editorial, as I recall, that there are many milk centers in this country—this is not foreign; this is in the United States—where the milk consumption could be doubled to supply health needs were it not for the monopolistic restrictive orders placed in those areas.

What is the Commodity Credit Corporation doing about that?

Mr. MORSE. Well, that would come in the area, I think, primarily of the Agricultural Marketing Service. There is a reexamination under way of these milk orders, as to what improvements might be made in them and how they might be more effectively handled. Part of that story which the editorial may have related to, of course, is the State authority that is exercised and the sanitary authorities of cities and districts, over which we do not have jurisdiction as a Federal authority.

Mr. MARSHALL. I think the dairy industry in this country, particularly from our area, is looking to the Department of Agriculture to make some suggestions.

Mr. MORSE. As I say, there is an active reexamination of that matter. The extent we can go relative to these marketing orders which are under Federal authority is limited, and these State and local authorities over which we do not have jurisdiction account for a great deal of that limitation in the movement of milk.

Mr. MARSHALL. You were commenting a moment ago about the parity on so-called basic commodities, I believe. You have in effect

a modernized parity on milk which will further lower the price of milk; have you not? Will you tell us what that parity formula is?

Mr. MORSE. I can assure you that we are aware of that situation. It will be examined as we approach the date.

Mr. MARSHALL. This already has taken effect; has it not?

Mr. MORSE. No.

Mr. MARSHALL. The formula already is set; is it not?

Mr. RICHARDS. I think what you have reference to is the parity equivalent for manufacturing milk. The Department first got out a parity price for all milk, and then back in 1948, or 1949, at the request of the House Agriculture Committee, I think, a parity equivalent for manufacturing milk was gotten out based on the relationship between the price of manufacturing milk for a relatively short period, that is from July 1946 until July of 1948, as I recall it.

A little less than a year ago, that was revised to include a longer period, I think including up to 1953. That now brings the relationship from 80 to 88½ percent to 84 percent. That is the change I think you have reference to.

Depending on the level of price support it might affect the support level. It lowers the parity equivalent for manufacturing milk, but of course the minimum support level is 75 percent and it would affect only the support prices depending on whether 75 was the level or some other figure was the level.

Mr. MARSHALL. It is obvious it will not affect the price support of milk in these areas where they have these milk-marketing agreements. It has no effect there. It affects only the territory outside.

Mr. RICHARDS. Mr. Marshall, all the areas except a few produce a large quantity of manufacturing milk. It goes into manufacturing purposes.

Mr. MARSHALL. I as a dairyman, the only thing I can look forward to, then, in my area, where I am unable to deliver my milk in one of these centers that have a milk-market agreement and where I deliver milk, is to look forward to a lower price of milk in April.

Mr. BERGER. Only on the basis of the manufacturing portion of it.

Mr. MORSE. April is not yet here. We are watching all of these situations. As I have related, no butter purchases were made during December. The developments that take place and how rapidly they take place, we are watching closely.

We are conscious that this is ahead of us.

Mr. MARSHALL. Then do I understand you, Mr. Morse, to say that if the dairy situation continues to look as favorable as it is that you may raise dairy supports to compensate for this loss of the formula?

Mr. MORSE. We have not yet made any decisions on that.

Mr. MARSHALL. But there is that possibility?

Mr. MORSE. We are aware of the fact that this will come into effect unless there is some other development. As long as the market price is operating above that, of course, the minimum price support on dairy products is not effective. It was not effective in December as far as butter was concerned. Otherwise I assume we would have bought butter.

Mr. RICHARDS. This change was made after the price-support level for this year was determined. It was made in May of 1954, after the



price-support program was announced. It has not affected the price-support program as yet.

I might say, Mr. Marshall, that the failure of the Department to change that parity equivalent led to a rather severe criticism from the General Accounting Office because we had failed to act after having several years of additional information to base our figures upon and we relied only on relatively old data.

Mr. WHITTEN. Mr. Horan?

#### DISCUSSION OF MECHANICS OF DISPOSAL PROGRAM

Mr. HORAN. I want to get this picture straight in my own mind. I think one of the duties of this Committee on Appropriations is to review the work of the Department, which often leads to the amending or creation of new law on the part of our legislative brethren in the other committees. It may be that a discussion such as this, and I have been interested in all of it, might indicate some things that ought to be done as we go along in working out this problem.

I would like to refer to your statement on page 10—"on the disposal side of the picture"—and I leave out the next sentence—

we have received the best advice possible from sources outside the Commodity Stabilization Service, including the Foreign Agricultural Service, the Foreign Operations Administration, the Agricultural Marketing Services, and the Agricultural Credit Service as to the volume and timing of the disposal programs which they originate and we merely implement.

Will you spell that out a little more?

Mr. MORSE. Take the school-lunch program, for instance—the operation is through our Agricultural Marketing Service, and the rate and the time of disposal through those channels, would be handled in Agricultural Marketing Service.

The Foreign Agricultural Service determines what the foreign outlets are, and what the foreign sales possibilities are as they see them developing, in attempting to arrive at future volume and time of movement. We have gotten their best judgment. The Foreign Operations Administration has not only \$300 million authority out of this Public Law 480, but they have \$350 million authority beside that.

Mr. HORAN. This is true: You offer to make loans at a certain rate per bushel or per unit of any commodity that is under price support?

Mr. MORSE. Yes; that is correct.

Mr. HORAN. You make the loan and then you acquire that commodity and are responsible then for storing it?

Mr. MORSE. Yes, sir.

Mr. HORAN. When it comes to the disposal side do you actually make the sale?

Mr. MORSE. That is handled through private trade. But suppose that Foreign Operations Administration, for instance, decides that they are going to move a certain quantity of product into, say, Greece, then they turn to us to get that loaded out, in shape to ship, and so on. Then immediately the additional workload comes on to us and steps up our cost, and that cost becomes part of what we are trying to estimate here.

If they don't move it, it sits there and there is much less administrative cost as compared to the situation when disposals are heavy. If

they decide to move a quantity of commodities, a cost comes back on us as we implement that movement.

Mr. RICHARDS. On the actual mechanics of that, Mr. Horan, the FOA people will issue a procurement authorization to the foreign country and the foreign country through their private trade normally turns it over to our private trade, and then they will come to us to buy the products. That is about how it works as to the mechanics of it.

We actually make the sale and CCC actually transfers title. But knowing when these procurement authorizations might be issued and the timing of them is something we can get better from the FOA.

Mr. HORAN. Obviously, as our chairman has indicated, and others on the subcommittee, there is room for improvement in our disposal program, and even in its mechanics. We are hopeful, of course, that the program at long last as in process, that of placing our foreign agricultural service and our attachés directly under the Secretary and it will pay off, that we are retooling the Department in the direction of making these disposal programs actually wise in operation.

It has been in the press so I am not violating any confidence, I imagine, but frankly in the Ladejinsky case it is my understanding that the Department is trying to get men in the field in the attachés' post who are not reformers but they are men who can help us in the problems we have at home, in this case the disposal of our tremendous surpluses. Is that understanding correct? As far as I am concerned it might have been unwise to call him a security case but the facts of the case were that you didn't rehire him. Isn't that the situation?

Mr. MORSE. That is the case. We are very anxious, to function effectively, particularly in this marketing field. As the chairman has brought out here, we are in a different world situation, economically and otherwise. The world needs and apparently it can acquire more of these surplus commodities if we get our sales forces, sales promotion, and sales development effectively tooled up and operating. We are looking very hopefully to what can be accomplished through the agricultural attachés, and as you indicate we want men who are best equipped by training and experience to handle those jobs on the new basis and not necessarily on the basis that has operated in the past.

I had a group representing one of our major commodities in the office recently, and the thing they talked about most, and on which they put the most emphasis, was the hope with which they looked forward to what was going to be accomplished through these agricultural attachés.

Mr. HORAN. I want to make this crystal clear. Personally I am not a critic of Ladejinsky. He has a tremendous and fine record insofar as I am concerned.

I do want my own position known with regard to foreign markets. I expect our attachés for agriculture to work for the American farmer and through the Secretary of Agriculture. I don't know that a man who is world famous as a land reformer has any particular place representing us as an agricultural attaché. I think a mistake was made in asserting that he was a security risk, because from where I sit that doesn't appear to have been the case. It was merely a matter of this man having left the Department of Agriculture and it was a matter of rehiring him; wasn't it?

Then why didn't somebody down there take all the onus out of it and tell Mr. Ladejinsky "We are not hiring experts in land reform in other countries to represent us as agricultural attachés"?

Mr. MORSE. We are glad to get your observation, Mr. Congressman.

Mr. HORAN. That observation comes from a statement the Secretary himself made.

Mr. MORSE. Yes, sir.

Mr. HORAN. I am awfully sorry that for some reason or other we had to dip into the security angle on this thing. I think that was unfortunate.

Mr. HORAN. You make the statement:

If the volume of commodities moved in these disposal programs increases, if the disposal programs are successful, it will cost more to operate Commodity Credit Corporation.

Would you clear that up?

Mr. MORSE. Again it is a matter of unexpected demand or movement. I suppose again we could go back to the Foreign Operations Administration, where they have \$650 million authorization total. I use it merely by way of illustration.

Suppose that the situation develops in some country, or one or more countries, which we do not now foresee, where there is a movement of a sizable amount of commodities, not now foreseen. It could step up our costs beyond what is estimated here. We believe, however, that the request here will enable us to operate through the rest of this fiscal year.

As we have indicated, if there is less movement of these commodities than we now estimate, we might not have use for all of this. On the other hand we run as much risk on the other side and we think this estimate is as realistic as we can make it.

Mr. HORAN. I would like to see headway made.

Mr. BEACH. As an example, \$453 million under title I of Public Law 480 is shown in the President's message. The best figure we could get 2 or 3 weeks ago is about \$400 million. We think that figure is still all right because the transactions won't affect CCC administrative costs until late in the fiscal year.

Mr. HORAN. You have authority to sell to exporters, as Mr. Whitten pointed out, under the charter, and you have an additional authority to sell under Public Law 480.

What is wrong with Mr. Whitten's suggestion? Of course I think myself it is a subsidy. Why aren't you doing it?

Mr. MORSE. We have been actively studying this matter through this past year. We have one commodity report which is due, I believe, the 1st of February, on rice, which is in response to a request by Congress dealing with the two-price system. These matters have been actively under consideration, and we are getting the best judgments we can.

In light of the discussion with Congressman Whitten, I want to go back and take another look at just what we have had in the way of advice and counsel on this. We will be coming forward with this other commodity study which gets into this area of selling abroad at one price against the other, and what it does to private trade and whether it is good for the commodity's future itself.

I would like to express an opinion on this point after studying it further.

Mr. HORAN. May I make one observation: I had the feeling in my several trips abroad that the morale of our agricultural representatives abroad was not very high. I do hope that the things we have



done by new laws and by action of this subcommittee, because we have been intensely interested in it, will build a high morale for the men in the Foreign Service and in the attachés' positions who are dedicated to the business of helping the American farmer in his proper place in world markets. I hope we are moving in that direction.

The only reason I brought Ladejinsky into this at all is that we do not want to see a repetition—at least I don't because I am very jealous of the part that I had with many others in the Congress in at least getting the attachés back in the Department—I don't like to see anything happen that can in any way impair our ability to get the very best men in those jobs and keep them there and keep them happy and working. That is the danger we may have unless we are careful in that direction because it does affect the men and sometimes those we want to recruit.

I don't think I am telling you anything you do not already know and realize. I wanted to express myself.

Mr. MORSE. We fully share that concern. I can assure you we will do everything we can to work in that direction.

We have some outstanding men among our agricultural attachés and I think they are going to need to be freed of some class procedures, they are going to be given new tools and directives, and perhaps maybe even some retraining in instances to get them into channels of this effort, in connection with this contemplated transfer.

#### FORMULA FOR AGREEMENTS UNDER TITLE I OF PUBLIC LAW 480

Mr. HORAN. Please insert in the record at this point a brief statement indicating why each of the contracts under title I of Public Law 480 must be handled individually.

(The information requested follows.)

There is no standard formula for agreements under title I of Public Law 480. The foreign currency uses negotiated vary widely among countries depending on the ability of the particular country to supply services and materials for United States use, the financial position of the country, and the possibility of using a portion of the funds on a loan basis to further economic development of the country. Also, exchange-rate provisions to protect the purchasing power of foreign currency acquired differ according to the stability of the foreign currency acquired. In some countries the official rate is satisfactory. In others carefully developed exchange rate guaranties must be included. This is particularly true in those countries which have multiple foreign exchange rates. Another condition which varies among the different negotiations is the usual marketing guaranty required to protect our regular commercial marketings. These guaranties are based on an analysis of what we expect the United States private traders to sell through devices other than title I. No standard formula is feasible to determine what the usual marketing figure should be for all countries.

Mr. HORAN. That is all, Mr. Chairman.

#### EFFECT OF PRICE SUPPORTS ON BUILDUP OF STOCKS

Mr. WHITTEN. Mr. Morse, in conclusion I would like to say that I have sat on this subcommittee dealing with the Commodity Credit Corporation for approximately 10 years. I served 4 years as chairman. There is no question in my mind, based on all that experience and all the testimony, including your own, but that the matter of price supports, at whatever level they are, is not the reason for the great buildup in Commodity Credit Corporation stocks. The reason for the buildup in Commodity Credit Corporation stocks comes from a failure

to use the authority in the charter to sell those commodities in world trade competitively.

I put tables in the record which show that Europe, at least, has dollars. I have been over there and there is no question but that many, many sales are just waiting for the time when you will sell on a competitive-bid basis to American exporters, the best salesmen in the world. Whatever the support price is, you will have to use the authority in the charter. We could not get the Department to make sales under that authority and apparently the sum and substance of it was that the Department of State and the folks in our foreign-aid program have stymied the Department from doing what it is authorized to do under that charter. Last year Public Law 480 was passed. It is my observation that Congress was pushed into passing Public Law 480 because it took that to get the State Department to approve an agricultural bill.

When you analyze Public Law 480, it provides that only 10 percent of these foreign currencies you would sell for would be under the control of Congress, and the President could waive that. Yet the basis of your testimony here and of the President's speech is the effort being made through this hard road of adding to foreign aid and nothing about selling competitively to restore to the American farmer his fair share of the foreign market.

I would like your comment on this, and I do not know if it would help you to break out from under the State Department's attitude or not. One way to handle this would be to increase the funds and provide that no part of them for the administration of the Commodity Credit Corporation be used to handle any commodity under Public Law 480 unless an equal amount of that commodity were offered to the American export trade on a competitive bid basis. Under that you could not run the Commodity Credit Corporation unless they let you offer to sell what you have got.

#### COMMODITIES OFFERED ON WORLD MARKETS COMPETITIVELY

Mr. MORSE. I have been handed this memorandum and we would like to correct in the record the list of all commodities that have been offered on the world markets competitively: Barley, oats, flaxseed, linseed oil, rye, sorghum grains, peanuts, butter, dry whey, vetch, olive oil, tung oil, cottonseed oil, and edible beans.

Mr. WHITTEN. That leads to a further question. When you say competitive bidding, what do you mean?

Mr. BERGER. Open competitive bids.

Mr. WHITTEN. To American exporters?

Mr. BERGER. That is right.

Mr. WHITTEN. How much have you sold of those commodities. What is the dollar value?

Mr. MORSE. Early this year we had 1.5 billion pounds of edible oils in our stocks. Primarily due to sales, our present inventories are in the neighborhood of 300 million to 400 million pounds.

Mr. BEACH. We now have 354 million pounds of refined cottonseed oil.

Mr. MORSE. That is perhaps the most dramatic export movement in the way of sales, but it shows the extent to which we are moving into these world markets.

Mr. WHITTEN. Mr. Morse, I would like to congratulate you and express my appreciation to you, because if there was any proof I needed that I was right, you have just made it. It shows what you can do if you move. If you want to sell anything, the first thing you have to do is offer it for sale and make the price right. Having this concrete case in your own Department, I do not see why you let the State Department make you hold these commodities off the world market.

Mr. MORSE. You would be aware of the fact that these disposals have been at substantial losses?

Mr. WHITTEN. Could I ask if you lost as much by selling what you did not need as you would by keeping it and letting it go bad?

Mr. MORSE. They are pretty storable with turnover.

Mr. WHITTEN. Is that true of cottonseed oil?

Mr. MORSE. We need to consider future demands, storage costs, and many other factors.

I want to explain to the committee, and I am sure the Secretary would want me to explain, that he regretted that on short notice and because of very important appointments he had to handle this afternoon he could not be with you this afternoon. If it would serve the purposes of the committee for him to be with you tomorrow, I would like to discuss it with him and express your desire in that regard.

Mr. WHITTEN. I understood it was impossible for him to be here until after the middle of the afternoon, which would be too late. We are available tomorrow morning and I plan to be here. The reason the committee is meeting prior to the organization of the full committee was at the instance of the Department, and immediately on calling the meeting I advised the clerk that we wanted Mr. Benson to be here since it involved a matter of policy.

Mr. MORSE. I had hoped that I might go far enough in the expression of policy to serve the purposes of the committee, but I will certainly discuss with the Secretary your desire.

Mr. WHITTEN. You conducted yourself very well. You just did not say how you could get around the State Department.

Mr. MORSE. May I express my personal appreciation for the information and what I gained from meeting here before this committee. It has been very useful to me and I know it has to others of the Department who have had these discussions with you. And I would like to say that we believe very substantial progress is being made in the area of disposal. We think we are on the way, and if it is practical to move faster, that, I am sure, would be our desire.

Mr. WHITTEN. If we can help you move faster, we will stand at your side willing to cooperate fully. I do not know what we can do until you get ready to offer the commodities for sale.

Thank you, gentlemen.

WEDNESDAY, JANUARY 12, 1955.

Mr. WHITTEN. Mr. Secretary, we are pleased to have you and Mr. McConnell and the other gentlemen here for further consideration of this request to increase the funds available for the administration of the Commodity Credit Corporation and its stocks of agricultural commodities.

Do you have any general statement you would like to present?



## GENERAL STATEMENT OF THE SECRETARY

Secretary BENSON. Mr. Chairman, I appreciate this opportunity which you have provided for me to come here this morning. I only regret that because of the late word that came I was unable to come yesterday when Mr. Morse came up. I am very pleased to be here this morning and to have members of my staff here. We hope we have information that may be helpful to the committee. We appreciate your prompt consideration of our request.

I have a brief statement here of just a couple of pages I would like to run through if you do not mind.

Mr. WHITTEN. We would be glad to hear it.

Secretary BENSON. Mr. Chairman and gentlemen, Mr. Morse, Under Secretary of Agriculture, and President of the Commodity Credit Corporation, appeared before this subcommittee yesterday in behalf of the supplemental authorization for CCC administrative expenses for the fiscal year 1955. I understand that questions relating to the necessity for the increased authorization were covered in that hearing.

You discussed with Mr. Morse certain policy and procedure questions having to do particularly with disposal of surplus farm products abroad. Mr. Morse testified with full authority from me and as President of the Commodity Credit Corporation. I am glad to respond to your request that I also discuss these matters with the committee. I understand the principal questions on policy and procedure were along the following lines:

1. We are selling increasing numbers of surplus commodities on the world markets and expect the sales and disposals abroad to be expanded under the broadened authority given under the laws passed by the 83d Congress. During 1954 we sold competitively on the world markets the following surplus commodities: Peanuts, cottonseed oil, linseed oil, butter, rye, oats, grain sorghums, whey, flaxseed, olive oil, hairy vetch, common vetch, dry edible beans, tung oil, and barley.

Wheat is being sold under the International Wheat Agreement and outside of the agreement at world prices.

Cotton is being sold on the world markets by the cotton trade.

In the 1953 marketing year the sales were 3,200,000 bales.

The estimate for the 1954 marketing year is 4,500,000 bales.

We are getting the active cooperation and help of other departments of Government such as State, Treasury, Foreign Operations Administration, and so forth.

2. The transfer of agricultural attachés is being completed, as authorized by the 83d Congress. We expect to aggressively carry forward a program of redirecting the efforts of the agricultural attachés in a way that will best serve the interests of American agriculture. As Mr. Morse explained yesterday, there will be increasing emphasis on development of markets through the assistance of the agricultural attachés.

3. We are definitely encouraged with the progress that is being made in the movement of agricultural products into use both domestically and abroad. As the work of Congress progresses, we will be reporting more in detail on what has been accomplished and what the future holds.

We expect 1955 exports of farm products to exceed those of last year by 10 percent.

That is the brief statement, Mr. Chairman.

Mr. WHITTEN. Thank you, Mr. Secretary.

#### MEANS USED TO REDUCE VOLUME OF STOCKS OF COMMODITIES UNDER CCC OPERATIONS

The record shows that this increase of approximately 42 percent in the administration cost of handling the Commodity Credit Corporation operations is tied into and largely results from the increased volume of commodities which that Corporation owns.

The record shows that you have taken several actions tending to reduce the commodities which are in the hands of the Commodity Credit Corporation and to hold down the quantity which it would hold in the future.

According to Mr. Morse's statement those actions were several, as follows, though he did not necessarily put them in this order:

First, there was a reduction in the fixed support price of the basic commodities which were put under the flexible provisions, which was 82½ percent.

Another action which the Department had taken, according to the record, was to issue restrictions and reductions on acreage, and other actions to reduce the total amount of production, with a reduced support price in connection with dairy products.

In addition there was the question of sales, which is a problem that we have had and one that I have taken issue with throughout the years. I refer to the lack of a sales policy.

In addition to that it was pointed out in the questioning that there had been a change in the parity formula whereunder there could be a reduction in parity itself not to exceed 5 percent in any given year.

Is that substantially correct?

Secretary BENSON. Well, I think you have mentioned the major items. Of course, the flexible price support provision on the basic commodities does not become operative until on the 1955 crops, as you understand. As near as we can estimate now, the only one that will probably be at the minimum of 82½ will be wheat.

Mr. WHITTEN. Yes, sir.

Secretary BENSON. In the field of sales, of course, as you well know and as the committee knows, we have tried to strengthen the Department, particularly in this field of marketing. We feel that through the years we have emphasized production but there has not been the emphasis on marketing and merchandising and sales and market expansion that there might have been, so in our reorganization of the Department, as authorized by Congress, we tried to strengthen both our domestic and foreign marketing agencies.

We are now offering commodities on world markets, as the brief statement indicated, and we are trying to push that. We think it is important we do push it. We think that the action taken by the Congress providing for the agricultural attachés to come into the Department of Agriculture is going to help.

We look upon these men as representatives of American agriculture abroad, who can interpret to people abroad our agricultural policies and programs and needs, help to open door and expand markets

abroad, and at the same time reflect back to us agricultural conditions in those countries, as well as the opportunities abroad.

As to parity, there is no change in the parity until 1956. Then this 5-percent provision starts to become operative, in moving from the old to the new parity base on those commodities that are not already on the new parity base.

Mr. WHITTEN. What will the new parity be, for the so-called modernized parity, once you have reached it on your 5-percent steps?

Secretary BENSON. After 1955, the movement starts at 5 percent per year and the support level will be between 75 and 90 percent of parity. If I remember correctly—and Mr. Wells can check me on this—there are four commodities that are not already on the modern parity base.

Mr. WHITTEN. What are those commodities?

Secretary BENSON. They are wheat, cotton, peanuts, and corn. Those are the four.

Mr. WHITTEN. Those actions have been taken by the Congress during the last session?

Secretary BENSON. Right.

#### POLICY RELATING TO SALE OF COMMODITIES ON COMPETITIVE BASIS

Mr. WHITTEN. Last year Mr. Morse testified that the sales policy of the Department of Agriculture for those commodities that were offered for sale—though some commodities were not offered for sale at all, except at the support level—was that they were offered at a prevailing price; that the Department analyzed the prevailing world price, announced her commodities at that price, and then our competitors, of course, could come just under that price and get the market and come to us to take up the slack. We took strong issue with any such sales policy as that, and I understand that since that time whey, barley, beans, flaxseed, grain sorghums; oats, rice, cottonseed oil and linseed oil have been offered on a competitive-bid basis to American exporters for export.

The record shows we have collected some \$453 million from that change in policy, where these commodities were sold on a competitive-bid basis.

What other efforts are you making now to move these other commodities into world trade, which commodities would include cotton, upland, linters, butter, cheese, corn, rice, seeds, hay and pasture, wheat, rosin, turpentine, tobacco, and wool.

What are you trying to do at the present time and what is your policy so far as selling those commodities is concerned?

Secretary BENSON. In a word our policy is, Mr. Chairman, that we offer commodities which are held in surplus by Commodity Credit Corporation at competitive world prices. In some cases they will be offered on a bid basis. Our objective is to vigorously attempt to move these commodities into world-trade channels, using the regular channels of trade wherever possible.

Mr. WHITTEN. The testimony shows that, with regard to the commodities I have mentioned, they are not offered on a competitive-bid basis. According to the people I talked to from your own Department of Agriculture throughout Europe, you are not telling your own people that you will match our competitors' prices, so that we still



offer them on a prevailing world price. That is the statement of your own representatives in Europe.

As a matter of fact you are not offering these on a match-the-competitor basis nor on a competitive-bid basis, are you?

Secretary BENSON. Mr. McConnell, will you comment on that.

Mr. McCONNELL. Some of them we are. For instance, we are trying to get butter in the position where we can offer it. We did offer butter on a competitive basis, and then we offered it on a prevailing world price, and very little of it moved. We are now swinging back to the idea of moving it on a competitive basis subject to our refusal. We did that with oil; linseed and cottonseed oil.

Mr. WHITTEN. I listed those where you are doing that. We had this issue raised last year. I read you the list of commodities where you are not doing it.

With respect to these other commodities you are not offering them on a match-your-competitor-price basis. You are not offering them on a competitive-bid basis in world trade, are you?

Mr. McCONNELL. Some of them we are not.

Mr. WHITTEN. Let me list them again. This is a list from your own Department. The ones I read I am told are not offered on that basis. Is there any exception?

Mr. McCONNELL. Will you read them again?

Mr. WHITTEN. Cotton, upland; and linters.

Mr. McCONNELL. That is right.

Mr. WHITTEN. Dairy. You mentioned there had been some change in butter in the last few days, perhaps.

Mr. McCONNELL. Yes.

Mr. WHITTEN. Cheese.

Mr. McCONNELL. Yes.

Mr. WHITTEN. Corn, rough rice, hay and pasture seeds, wheat, resin turpentine, tung oil, tobacco, and wool.

None of those are being offered on that basis?

Mr. McCONNELL. Some of them will be, at the right time. There seems to be plenty of demand, Mr. Congressman, for instance, for turpentine and resin. That is moving at the present support levels in domestic trade.

Mr. WHITTEN. Yes, sir.

Mr. McCONNELL. There are various things. Now we do not like to move a grain like corn at a time when the domestic producers are moving their corn to market. We feel that the exporter has an opportunity to come into the domestic market and buy from free corn stocks.

Mr. WHITTEN. I could and do appreciate all of those things. But having been on this committee for 10 years and having known that these commodities have not been offered in the past, I would not think that they had been held on the basis that you discussed. There has not ever been a time when you did offer them competitively.

Mr. McCONNELL. I think we had corn on the export list one time last year for a while.

Mr. RICHARDS. We actually paid a subsidy on corn exports for a short period last summer.

Mr. WHITTEN. That is right.

Mr. RICHARDS. We are now selling corn every week for export.

Mr. WHITTEN. The point I make is that when this committee met last year and took strong issue with you, at that time you were not.

Mr. RICHARDS. That is correct, except on the grains, Mr. Whitten. Those are offered. On corn and wheat, where there are established markets, the grain trade does not like to have us offer on a competitive-bid basis. They like to come in and buy from us on a daily basis and on the basis of the market at that time.

We have wheat subsidy through the International Wheat Agreement.

The point at issue is, maybe that subsidy is not enough. We have tried to make our price, when that subsidy is taken into account, equivalent to the Canadian price—the price that the Canadians are selling wheat for in world markets. A lot of things happen. At times the Canadians accuse us of shading the market, and other times we accuse them. By and large we have sold substantial quantities of wheat working through the private trade. We have had very few Government-to-Government sales.

Mr. WHITTEN. I am not questioning that. The Commodity Credit Corporation is before us today requesting a 42-percent increase in funds for administrative expenses based on the huge quantities of commodities under CCC control, which are over \$6 billion, as I read in the press from day to day. I am trying to find out if this big quantity is so bad as it is pictured, and if it is, what efforts are being made to sell it? You do not sell it if the trade does not want you to? Is that one of your criteria?

Mr. RICHARDS. We are offering it, as near as we can tell, when the subsidy is deducted from the market price, at prevailing prices.

Mr. WHITTEN. That is in world trade?

Mr. RICHARDS. In world trade.

Mr. WHITTEN. Why is it that the Commodity Credit Corporation has to have any subsidy to offer it at that price?

Mr. RICHARDS. That was provided for by the International Wheat Agreement.

Mr. WHITTEN. You are talking about wheat. We have been talking about corn.

Mr. RICHARDS. Corn is a little different matter. We have never had the share of the world market in corn that we have had in wheat.

Without going into details I think corn is a little different from wheat. We have sold substantial quantities of corn for export. We just arranged a deal the other day for a sale to Germany. It is a little bit complicated. We take marks, and the marks are going to be spent in Spain for military use.

Last summer for several months before the heavy marketing season for producing corn we paid a subsidy.

Mr. WHITTEN. Corn today is not being sold on a competitive-bid basis, is it?

Mr. RICHARDS. No, sir.

Mr. WHITTEN. It is not being offered, is it?

Mr. RICHARDS. I do not think the two principal grains, corn and wheat, would fit on a competitive-bid basis with the normal marketing practices of the grain trade.

Mr. WHITTEN. For corn today in foreign trade you do not have any announced order that you will match the competitor's price, do you?

Mr. RICHARDS. No, sir.

Mr. WHITTEN. And the records show that you have 592 million bushels of corn with a total investment of \$981 million invested. With that investment you do not offer that corn in world trade on a competitive-bid basis or on a match-the-competitor basis? That is the fact, is it not?

Secretary BENSON. I was going to say this—

Mr. WHITTEN. Will you answer me and then qualify?

Secretary BENSON. I do not think it is wholly correct from this standpoint: Certainly the traders that are handling these commodities do match world prices. They are competitive with other buyers on the world markets. Even though the Commodity Credit Corporation may not be offering it, the commodities are being offered competitively through traders.

Mr. WHITTEN. That is right. If the Commodity Credit Corporation's stocks are not available, then the world price is fixed at the United States price, the support price, and since the world price is being fixed at the United States support price, you are inviting every competing country in the world to increase their corn production as they are qualified to do it.

Where the trade is moving it, since the support level over here keeps the price at that level, naturally he cannot buy and sell corn below that level without losing money. So therefore, as long as you hold these stocks back you are holding an umbrella over world prices on corn and inviting increases in corn production throughout the world to the detriment of the American corn producer, are you not?

Secretary BENSON. Normally, we do not move much corn in export, as you know.

Mr. WHITTEN. That is a nice statement, but it is not responsive to my question.

Now, the President's message has been included in this record, and that message was delivered on January 10. It stresses, as Mr. Morse, your representative yesterday stressed, the efforts that were being made to move these commodities through Public Law 480.

#### COMMODITIES BEING OFFERED THROUGH PUBLIC LAW 480

Now, I would like for you to tell us what commodities you are offering through Public Law 480, and what the situation is.

Secretary BENSON. I do not have the full list. The President mentioned several in his message. You probably saw those.

Mr. WHITTEN. Yes.

Secretary BENSON. Cotton, tobacco, and other commodities. Several of the agreements that have been consummated, and others in process, mention the commodities involved.

Mr. WHITTEN. Yes.

Secretary BENSON. Grains, 43 percent; cotton, 28 percent; tobacco, 14 percent; and other commodities, 7 percent, out of the total that has been included in the agreements that have been consummated to date. So the great bulk is in three items—the grains, cotton, and tobacco.

Mr. WHITTEN. Yes.

Mr. Secretary, in your efforts to sell under that law, are you aware that, first, you have to get the permission of the Interagency Com-



mittee, which has as Chairman Mr. Clarence Francis and officials of the Department of Agriculture, Commerce, Treasury, and State. In other words, to sell through Public Law 480 these commodities that you have mentioned, you have to get the approval of the State Department's representatives and these other people from Commerce and so forth, do you not?

Secretary BENSON. I think Mr. Morse probably mentioned this. We have 2 committees, 1, the policy committee of which Mr. Francis, whom you mentioned, is chairman, and on which are representatives of the various departments concerned. That committee operates at the White House level.

Mr. WHITTEN. Yes.

Secretary BENSON. Mr. Francis is an appointee of the President. Then we have an operating committee which operates in Agriculture, of which Mr. Lodwick is chairman, and on that committee are represented the various departments concerned.

Of course, we are working with the other departments concerned in this effort.

Mr. WHITTEN. Mr. Lodwick, as head of the operating committee, cannot operate until the matter clears the policy committee.

Secretary BENSON. He operates within the policy established, of course.

Mr. WHITTEN. That is right.

Your efforts, so far as these commodities are concerned—cotton, wheat, and the others that appear here—are to move them through this Public Law 480, where you have to clear the State Department and these various others on the policy committee before Mr. Lodwick can start operating.

Secretary BENSON. It is a coordinated program. In the meantime, we are offering commodities for dollars, and the record shows that we—

Mr. WHITTEN. I beg your pardon, Mr. Secretary. Cotton is not being offered for dollars on a competitive basis and neither are these other commodities that I read to you.

Secretary BENSON. There are great quantities of cotton moving through regular channels of trade, and we have not offered cotton, I understand, because the trade has asked that we not offer Government-held stocks of cotton, and they are pushing their own supplies into marketing channels. I think that is correct, is it not, Mr. McConnell?

Mr. McCONNELL. Yes.

Mr. WHITTEN. I will make the same illustration. As long as you hold your stocks back and do not channel them into world use to the needy countries—and that is what we talk so much about—

Secretary BENSON. Yes.

Mr. WHITTEN. The trade then of necessity must keep the world price at around, or above, the support price in the United States.

In the last 10 years, since 1945, it has added to our competitive countries in the rest of the world approximately 1 million bales per year more cotton than heretofore. And the American cotton farmer now is being cut back to absorb this increased world production coming from the policy that you are talking about. Are you aware of that?

Secretary BENSON. I think, generally speaking, our exports of cotton have shown considerable improvement.

Mr. WHITTEN. That is right, but it still does not change the point that I make. Holding an umbrella over the world price of cotton invites increased production in the other countries of the world.

For instance, since 1945, cotton production in Asia has jumped up from 5 million bales to 9 million bales. Cotton production in South America since 1945 has gone from 2 million bales to 3 million bales. In Africa and Oceania, it has gone from 1,900,000 bales to over 3 million bales. All this time the Department of Agriculture has been holding the Commodity Credit Corporation supply of cotton off the world market on a competitive basis. You are inviting the very thing that is happening.

Now, you are following that up by drastically reducing the American cotton farmer to a point where I do not see how he can exist in my State.

There are long lines of people in my area who have been put off their farms because we have cut our cotton acreage back to absorb this increase in production of cotton in the rest of the world for which we have been largely responsible in this country.

Secretary BENSON. Do you feel that we should offer our stocks for sale on world markets in opposition to the cotton trade and the cotton industry?

Mr. WHITTEN. I think that you better think about the American farmers. I think that you have thought about the trade to the point that the American farmer is just about to get his throat cut. It is a question of opinion, but I would like for you to read the letters. They will appear in the record.

Now, if you will make the survey of the number of cotton farmers in the South who had less than 5 acres and still took a cut, you will find that there are thousands of farmers who have no homes and no means of livelihood at all because of the cotton acreage reduction which went out over your order. As was stated yesterday, it followed the law, but that law counts all this cotton which you have and are not offering for sale on a competitive bid basis.

I do not want to upset anything, but the policy now is going to cut the American cotton farmer back and back and back to where he cannot live, and the same illustration applies to these other commodities which, according to your list, are not being offered for sale competitively on a competitive bid basis.

Secretary BENSON. A good part of this has been due to the fact we continued these high, rigid price supports and created an artificial situation and did not permit our cotton to compete.

Mr. WHITTEN. Could I take issue with you?

Secretary BENSON. Surely you can.

Mr. WHITTEN. You have been moving these commodities that you mentioned through Public Law 480.

Secretary BENSON. Yes.

#### UTILIZATION OF RECEIPTS FROM SALES IN FOREIGN CURRENCIES

Mr. WHITTEN. Where they are sold for foreign currency and the United States Congress has no control over the use of those currencies. Our foreign-aid people over there are running around now trying to

find some way to spend that foreign currency in those countries with which we deal. And all the time that you are trying to sell those commodities through Public Law 480, where you have to clear the State Department, the Treasury Department, and the Commerce Department, the Commodity Credit Corporation has had the authority to sell those commodities for dollars.

If the price-support program in this country—and this is where I differ with you 100 percent—were 1,000 percent of parity, the reason you have the commodities is not because of the support price but because, as you admit yourself, you are not offering them for sale. If the support level was 1,000 percent you would have them if you do not offer them for sale. If it were 15 percent of parity, you would have these commodities as long as you would not offer them for sale.

Secretary BENSON. Of course, we are very anxious to have the trade handle these commodities, and our exports are improving. They feel that they are absorbing the market pretty well. The situation is improving, and they are doing a good job, we feel, of merchandising. They ask we not offer at the present time, at least, the cotton that we have in stocks in the Commodity Credit Corporation, and we hesitate to offer it in competition with our own growers and our own traders so long as we feel they are doing a good job in moving the stuff in foreign trade and absorbing the market available.

INCREASE IN PRODUCTION OF VARIOUS PRODUCTS DURING PERIOD OF  
HOLDING COMMODITIES OFF WORLD MARKET

Mr. WHITTEN. Could I ask you to put into the record the increase in the production of wheat and these other various commodities, including cotton, that has grown up in this world during this period when the policy has been to hold our commodities off the world market on a competitive bid basis?

Secretary BENSON. We can get whatever figures you would like.

Mr. WHITTEN. I would like to have those supplied. I know in cotton it is more than a 1 million-bale increase, and the same thing applies to the other commodities.

(The information requested is as follows:)

WORLD WHEAT PRODUCTION

The production of wheat reached an all-time high of 7.4 billion bushels in 1952, declined slightly in 1953, and is now estimated at 6.8 billion for 1954. Last year's crop, although below the 2 preceding seasons, was 425 million bushels above production in 1951-52 when world exports reached about 1,065 million bushels (475 from United States) compared with about 835 million (216 from United States) in 1953-54. The increase in production from 1951-52 would have been even more pronounced except for the very poor 1954 Canadian crop.

The increase in world production since 1951-52 reflects larger crops in countries other than the United States as our 1954 crop was slightly below 1951. Acreages in most of the major importing and exporting countries (other than the United States) have increased since 1951 while the United States acreage declined to 53.7 million acres in 1954 compared with 61.5 in 1951.

The increase of approximately 425 million bushels of world wheat production in 1954-55 as compared with 1951-52 was distributed over a large number of importing countries. These increases can be attributed largely to these countries' programs for attaining self-sufficiency. Also, since 1951-52 Argentina has resumed its position as one of the world's leading producers.



*Wheat: Harvested acreage and production in specified areas, 1951-52 to 1954-55*

[All acreage data on harvested basis]

Country	1951-52		1952-53		1953-54		1954-55	
	Area	Production	Area	Production	Area	Production	Area	Production
	<i>Million acres</i>	<i>Million bushels</i>	<i>Million acres</i>	<i>Million bushels</i>	<i>Million acres</i>	<i>Million bushels</i>	<i>Million acres</i>	<i>Million bushels</i>
United Kingdom.....	2.1	86.5	2.0	86.1	2.2	99.4	2.5	99.3
Western Germany.....	2.6	112.6	2.9	120.2	2.8	116.1	2.7	103.0
Japan.....	1.8	54.8	1.8	56.5	1.7	50.5	1.7	55.5
Brazil.....	1.1	13.0	1.3	20.0	1.6	25.0	1.5	24.0
Canada.....	25.3	552.7	26.0	687.9	25.5	614.0	24.3	298.9
Argentina.....	6.8	77.2	13.8	280.5	12.3	227.8	13.9	260.0
Australia.....	10.4	159.7	10.1	199.0	10.7	199.0	10.7	165.0
United States.....	61.5	980.8	70.9	1,299.0	67.7	1,169.5	53.7	969.8
World except United States.....	365.2	5,384.2	377.4	6,101.0	390.6	6,090.5	404.1	5,820.2
Estimated world total.....	426.7	6,365.0	448.3	7,400.0	458.3	7,260.0	457.8	6,790.0

Source: Grain and Feed Division, FAS,

## WORLD COTTON PRODUCTION

The two attached tables show cotton acreage and production in the United States and specified foreign countries 1951-52 to 1954-55 with estimates by this office for 1955-56 based on such information as is available. The 1955-56 estimates for Egypt are based on more liberal acreage controls announced officially. The production estimate for Mexico was received from trade sources in Mexico. All others are percentages of 3- or 5-year goals or are based on impressions from reports received recently regarding effect of current prices on production in 1955-56.

Following are additional comments on specified countries:

*Egypt.*—The Government has relaxed acreage restrictions for 1955 to permit an increase of about 350,000 acres. Yields normally average about a bale to the acre.

*Pakistan.*—The Government is encouraging greater production of cotton and has announced a production goal for 1957-58 equivalent to about 2,050,000 bales, of 500 pounds, an increase of 825,000 over 1954-55. The 1955-56 figure shown on the table represents 1954-55 production plus one-third of the 3-year increase.

*India.*—The Planning Commission (official agency) has recommended a "5-year plan" goal for 1960-61 equivalent to 4.4 million bales, an increase of 500,000 over the 1954-55 production estimate. Efforts will be concentrated on increasing yields per acre rather than acreage with all the increase in cotton with staple lengths above  $\frac{3}{8}$ -inch. The 5-year goal envisages self-sufficiency by 1960-61 in all types except Egyptian. Plans for increasing irrigation are included in the cotton programs in India and Pakistan.

*Brazil.*—The 1954-55 crop to be harvested during March-June 1955 in south Brazil is up about 235,000 bales because of increased acreage and more favorable weather. The acreage increase is attributed to favorable prices which, in terms of local currency, include an exchange bonus of nearly 100 percent of the official rate. Inflation and adjustment of cotton prices on local markets following the announcement of new exchange rates have offset a large part of the gains from the exchange bonus. There have been no support prices for cotton during the past year but prices received by farmers are reported to be sufficiently high to encourage further acreage expansion next year.

*Argentina.*—Not much information available except that a record crop was harvested last year and another substantial increase was predicted for 1954-55 until unfavorable weather developed. The Government has a schedule of support prices well above the world market level and maintains special exchange rates for cotton exports that balance the books on losses on export sales. An acreage increase is expected next year if present favorable prices are maintained for growers.

*Turkey.*—No goals or plans have been announced officially but a cotton specialist from Turkey recently predicted an eventual production level of 1 million bales with a rise in consumption to absorb all increase above the present production level. New irrigation and Government-sponsored efforts to improve yields,

quality, grading, handling, etc., have been reported as making good progress during the past 2 or 3 years.

*Cotton: Production,<sup>1</sup> United States and other countries, and percent of change<sup>2</sup> 1950-54*

Year	Production United States	Percent of change	Production other countries	Percent of change
	<i>1,000 bales</i>		<i>1,000 bales</i>	
1950-51.....	10,014	-37.9	18,093	+19.2
1951-52.....	15,149	+51.3	20,571	+13.7
1952-53.....	15,139		20,681	+ .5
1953-54.....	16,465	+8.8	21,451	+3.7
1954-55.....	13,569	-17.6	22,422	+4.5

<sup>1</sup> Bales of 500 pounds gross.

<sup>2</sup> Percent of change from previous year.

Source: Foreign Agricultural Service, Cotton Division, Jan. 12, 1955.

*Cotton: Acreage and production by major countries, 1951-55<sup>1</sup>*

Country	Acreage					Production <sup>2</sup>				
	1951	1952	1953 <sup>3</sup>	1954 <sup>3</sup>	1955 <sup>4</sup>	1951	1952	1953 <sup>3</sup>	1954 <sup>3</sup>	1955 <sup>4</sup>
	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>1,000 bales</i>	<i>1,000 bales</i>	<i>1,000 bales</i>	<i>1,000 bales</i>	<i>1,000 bales</i>
United States.....	26,949	25,921	24,341	19,187	18,113	15,149	15,139	16,465	13,569	( <sup>5</sup> )
Mexico.....	2,183	1,937	1,890	1,815	2,090	1,273	1,250	1,210	1,700	1,800
Argentina.....	1,385	1,316	1,300	1,300	( <sup>6</sup> )	580	550	600	600	(600)
Brazil.....	5,100	4,500	4,000	4,500	( <sup>6</sup> )	1,950	1,560	1,465	1,700	(1,700)
Egypt.....	2,055	2,042	1,375	1,639	2,000	1,666	2,047	1,461	1,495	2,000
India.....	16,198	15,693	17,027	19,000	( <sup>6</sup> )	3,150	3,005	3,730	3,900	(4,000)
Pakistan.....	3,244	3,467	3,000	3,000	( <sup>6</sup> )	1,340	1,525	1,215	1,225	(1,500)
Turkey.....	1,586	1,669	1,473	1,325	( <sup>6</sup> )	600	690	600	650	(700)
Iran.....	371	450	555	600	( <sup>6</sup> )	124	165	230	207	(230)
Syria.....	537	457	370	445	( <sup>6</sup> )	225	207	220	275	(300)
Anglo-Egyptian Sudan.....	571	620	652	650	( <sup>6</sup> )	285	386	400	400	(400)
Others.....	24,571	24,058	25,517	25,339	( <sup>6</sup> )	9,378	9,296	10,320	10,270	-----
World total..	84,750	82,130	81,500	78,800	-----	35,720	35,820	37,916	35,991	-----

<sup>1</sup> Years refer to crop years beginning Aug. 1, in which major portion of crop was harvested.

<sup>2</sup> Production in bales of 478 pounds net prior to 1946 and 480 pounds thereafter.

<sup>3</sup> Preliminary.

<sup>4</sup> Except for Mexico and Egypt the figures in this column are estimates based on 3 or 5 year goals or impressions from recent foreign reports regarding trends in production.

<sup>5</sup> No figures are available from the Crop Estimating Board but a crop of 11.5 to 12.0 million bales might be expected if yield is equal to the average for the past 3 years.

<sup>6</sup> Not available.

Source: Foreign Agricultural Service, Cotton Division. Jan. 12, 1955.

Mr. McCONNELL. When the Secretary referred to the trade, the people that we are talking about as "the trade" are the producers. My last conversation on this was with representatives of the producers.

Mr. WHITTEN. This letter that I have in my hand is from one of the outstanding traders in Memphis, Tenn., one of the outstanding exporters. All of these letters plead with us to start moving this cotton back into the world trade on a competitive basis.

Now, 75 percent of the farmers working farms cannot live with this, and they have had a considerable change.

Getting back to this other situation, what I advocate, Mr. Secretary, does not bypass the trade.

These commodities, since we raised the issue last year on the committee, that you are selling on a competitive-bid basis for export, whom are you selling them to?

Mr. McCONNELL. Traders.

Mr. WHITTEN. American traders, are you not? So, if you wanted to, since you have the authority, you could sell all these other commodities about which I see so many complaints in the paper as to size of stocks. You want 32 percent more money to just store them and keep them. You could sell them on a competitive bid basis to traders if you saw fit. You have the authority.

Mr. McCONNELL. We have the authority; yes.

Mr. WHITTEN. And somebody has talked you into not using it. You say it is the traders. Is it not, as a matter of fact, partially the State Department and our foreign-aid people?

Mr. McCONNELL. I did not say it was the traders.

#### OFFERING OF COTTON STOCKS FOR EXPORT

Mr. WHITTEN. You said that you were following the advice of people in the cotton business.

Mr. McCONNELL. I said that with reference to cotton, the last conversation I had on this was with a representative of the producers.

Mr. WHITTEN. Mr. McConnell, with regard to all of the sand that is raised in the papers about the Secretary and others—and they were in their right—about all of these commodities, and the great investment and all of the costs, the public does not understand that the Secretary would not offer those things for sale on a competitive-bid basis.

Mr. McCONNELL. I do not know.

Mr. WHITTEN. Whatever those reasons are, the public does not understand you have these things from choice because you would not offer them for sale competitively.

Secretary BENSON. I think that is not true—certainly not wholly true. There is a limit to which you can dump these commodities on foreign markets. We are offering many of them for sale. Of course, part of the shrinkage of our domestic market in the case of cotton has been due to the competition from other fibers, which has permitted them to expand too.

Mr. WHITTEN. I beg your pardon. The world is using as much cotton as it ever used. The trouble is we have held our cotton back and set the world price from our support level, and other countries are producing and selling cotton.

Secretary BENSON. Yes, and at the present time I understand that the cotton industry is pretty well united in their request that we not offer our stocks for sale now because they feel they are able to absorb all the world market that is available.

Mr. WHITTEN. Have you talked to the farmers who have been cut back? Many of them do not have as much as 5 acres. Should not the farmers' interests be your primary consideration?

Secretary BENSON. The farm interest is our primary concern; it certainly is and always has been, and that is why we are asking to expand markets and build markets and do everything we can to provide additional outlets for these commodities, and that is why we felt this Public Law 480 offered some supplemental opportunities for moving greater quantities abroad and at the same time not shrinking in any way the American market, which might be available for dollars and which could be developed for dollars.



We think the regular channels of trade must be preserved and strengthened and that our sales for dollars must be pushed to the limit.

Mr. WHITTEN. Mr. Secretary, the record shows that we are spending in military support in Europe, including Greece and Turkey, in excess of \$3,200 million. The record shows that Europe is 150 percent above prewar economically, and in every way.

I visited the agricultural attachés in Europe during October. I met with the trades people in the countries of Europe. I met with our Ambassadors, and I met with the military people. I did not find a single representative of the Department of Agriculture who knew, or had known for several years, what we had for sale and what we would sell it for. I found many trades people in Europe that said they would buy as much as 2 million tons of American wheat if they would make the price competitive with France, which is selling its wheat on a competitive-bid basis. They said that they would prefer our wheat.

I found many people who would buy American cotton if you would just offer it on a competitive-bid basis with an assurance that policy would be continued.

I came back here and found that we are trying to sell cotton under Public Law 480, which is an additional foreign-aid program because the Congress cannot control over 10 percent of that foreign currency.

The foreign-aid people are running around trying to find roads to build for those countries. Their roads are better than they are in parts of the United States. And all the time we have these commodities and will not offer them for sale, and by holding them off we are fixing the domestic support price as the world price.

I have taken the view our support price comes from 13 freight-rate increases since World War II. There is an 85-percent increase in cost from the time the farm commodity leaves the farmer's hands until it gets to the consumer.

Our President asks for an increase in minimum wages to 90 cents an hour. I take the view that the American support price is required to offset those costs that come about from other laws. Since that is true, it was never intended that these commodities be held off the world market on a competitive-bid basis.

#### AUTHORITY TO SELL COMPETITIVELY IN WORLD MARKETS

Now, is it not a fact that you have had the authority under the Commodity Credit Corporation charter to sell these commodities at any time on a competitive-bid basis for world trade, to our own people in the export business? You have had that authority?

Secretary BENSON. I think there has been no change in the charter provisions regarding exports since I have been Secretary.

Mr. WHITTEN. I think that is not responsive to my question. I asked you whether it is not a fact under that charter and the law that you have had, and now have, the authority to sell all of these commodities that the Commodity Credit Corporation has on a competitive-bid basis to American traders for export in the world market.

Secretary BENSON. I assume—I think that is true.

Mr. FARRINGTON. The restrictions in the law against the sale of price-support commodities do not apply in case of sales for export.

Mr. WHITTEN. You have given me a "yes," but you have made it hard for a fellow to read it. Will you not say, "Yes," I am right in my statement?

Mr. FARRINGTON. You are right in your statement as a general proposition, Mr. Whitten. There may be some factors that come into specific sales that would qualify it, but as I say—

Mr. WHITTEN. I would like for you to spell it out. You have been an attorney down there for a long, long time, and if there is any limitation on the sale of these commodities on a competitive-bid basis, I ask you to point it out.

Mr. FARRINGTON. There are no restrictions.

Mr. WHITTEN. There are none, are there?

Mr. FARRINGTON. On sales for export; no, sir.

Mr. WHITTEN. That is right.

Mr. McCONNELL. I would like to say that we are going to move in the direction of—

Mr. WHITTEN. The facts are, the State Department and the foreign-aid people have, at the White House level, prevented you from using the authority of that law. You have not been able to get it cleared as a policy matter, have you?

Secretary BENSON. I think that we have made very great progress in our working relationships with other departments, Mr. Chairman, in this field. I think that the record will show that.

Mr. WHITTEN. Yes.

Secretary BENSON. We feel very much encouraged. In the commodities that are being offered competitively, and the volume that is moved.

I am very much in favor of moving more in the direction you have indicated. I think we should be competitive and should offer these commodities and do all we can to expand foreign outlets for our commodities.

Mr. WHITTEN. Your answer indicates you have not been able to get that clearance completely, though it is improving. Your actions further show you have not been able to get that clearance from the State Department because you are trying to move these commodities which were listed awhile ago, including cotton and tobacco and these others, through Public Law 480, where, in effect, we are giving them away, when all the time you have the authority to sell them yourself without regard to any of those people, and you can do it on a competitive bid basis.

The fact that you are using the one and not using the other would indicate to me that you have not been able to get clearance of the State Department people and the Foreign Aid people.

Secretary BENSON. No. As a matter of fact, we are using both. The commitments under Public Law 480 to date, as you know, are \$453 million. Now, we are continuing to move great quantities on a competitive basis.

For example, during the period January 1 to November 30, as the President pointed out, our total disposition of Commodity Credit Corporation commodities under the price-support program has amounted to \$1,300 million, and of that total nearly \$900 million represented commercial sales.

Mr. WHITTEN. Yes.

Secretary BENSON. And fully half of that was for export for dollars, so we are moving in the direction which you are emphasizing.

Mr. WHITTEN. Yes.

Secretary BENSON. And we expect to continue to do so.

Mr. WHITTEN. After our meeting last year, Mr. Secretary, you went back and started selling these commodities—barley, beans, flaxseed, oats, cottonseed oil, linseed oil. You offered them on a competitive bid basis through trade channels, and you moved them.

Secretary BENSON. Yes, we moved some.

Mr. WHITTEN. And you pulled them right on down. Does that not offer evidence to you that if you would just put these other commodities on the same basis you would sell them?

Secretary BENSON. I think there is an opportunity, certainly, to expand our sales on a competitive basis, and we are moving in that direction.

Mr. WHITTEN. You told me that you would like to increase sales and you would like to make progress in this thing. Do you not think that if you would use the charter and its authority which permits you and the Commodity Credit Corporation to sell these commodities on a competitive basis without regard to Mr. Dulles, Mr. State Department, or anybody else, you could do more of it than going through Public Law 480?

Secretary BENSON. I think the quantities which moved under Public Law 480 are in large measure an addition to what we could move on a competitive basis because we are taking foreign currencies for them, and we are still pushing the sales through competitive channels for dollars.

Mr. WHITTEN. Now, the public does not understand that when you get these currencies over there that only 10 percent of those currencies under the law would be subject to the control of the Congress in the appropriation process. Do you think the public understands that?

Secretary BENSON. I do not know. Possibly the public does not understand fully the program.

Mr. WHITTEN. Do you think the public understands that about 60 percent at least of all of this foreign currency will be spent on roads and soil conservation and that sort of thing in those countries? Do you think that the public understands that?

Secretary BENSON. I do not know. I am not a particular judge of that.

Mr. WHITTEN. Under present conditions in the United States—and I have heard many of the statements from your side of the table about it and I have made many myself—do you not think if we do sell those commodities for dollars, we can use those dollars in this country?

Secretary BENSON. Insofar as we got dollars for them we could use them. I think the fact we have a committee operating at the policy level does not necessarily mean that committee is serving to impede our progress. We want the cooperation of these other departments. We need that cooperation, and we feel that we have had good cooperation.

Mr. WHITTEN. That is under Public Law 480?

Secretary BENSON. Yes, and we have made real progress.

Mr. WHITTEN. But they have opposed your selling it under the charter authority and under the various laws which permit you to sell,



Secretary BENSON. No. I think generally speaking now the policy of the administration is to offer these commodities on a competitive world market.

Mr. WHITTEN. Mr. Secretary, may I please ask you when are you going to carry out the policies, because, as this record shows, you are not offering them for sale competitively now.

Secretary BENSON. Many we are.

Mr. WHITTEN. I am talking about the ones here, upland cotton, cotton linters, cheese, corn, rice, wheat, resin, turpentine, tobacco and wool. Your testimony shows you are not.

Secretary BENSON. Some of those, of course, are moving. Wheat is moving under the international agreement, as you know.

Mr. WHITTEN. I am talking about the sale of Commodity Credit Corporation commodities on a competitive bid basis. You are not offering them now, and if the policy is to do it and you are not doing it, you are not carrying out the policy. I differ with you. The policy is not to do it, and that is the reason you are not, is it not?

Secretary BENSON. We are moving in that direction more and more.

Mr. WHITTEN. I am trying to nudge you a bit on it, Mr. Secretary.

Secretary BENSON. I appreciate it.

Mr. HORAN. I would not say "nudge."

Secretary BENSON. You would not nudge us to the point where we would break world markets, would you?

Mr. WHITTEN. If it is essential to keep the American farmer from being cut back to domestic consumption, I would say "Yes."

I do not think it is sound to break anything. I think we have held onto these commodities in spite of the fact the law authorizes you to sell them. You have built them up, some people think, to get your ideas put over on reducing price supports.

Secretary BENSON. Which, of course, is not true.

Mr. WHITTEN. I am glad for you to have your say on it. But you have built them up at a time when you had a right to sell them competitively, built them up to a point where I think, in self-defense, we have to gradually ease these commodities back into world trade.

In my trip to Europe I met with many trade people, and I do not believe I found a single exception—they all said that it would be better for the trade, for the foreign countries and the United States, if we would move our commodities back into the world trade on a competitive basis. As long as a country like the United States has \$6 billion worth of commodities and will not sell them, they are scared to death because they did not know when the pressure will get so strong that we might dump them all at once. The trade people urged me to do what I could to start a movement toward moving these supplies back into world trade channels.

Secretary BENSON. Yes. I am very glad to get that report from you, Mr. Congressman. Of course, we are very hopeful when we get these attachés appointed and get them to work they will be able to translate to us from the various countries concerned information along the lines you have indicated that will help to guide us in our work.

At the same time, we do not want to unduly disrupt world markets. We want to build them on a solid basis, and that is why I think the cotton industry, including representatives of the growers, urge that

we not offer quantities of our present holdings on the market because they feel they can absorb current supplies, and at the same time offer enough for expansion of markets. Of course, we want to cooperate with these various commodity groups, both the trade and the producers, to build their markets abroad on a solid basis, and I am sure you would advocate that too.

POLICY RELATING TO SALE OF COMMODITIES ON COMPETITIVE BASIS

Mr. WHITTEN. Mr. Secretary, what strengthening of our sales forces have you made in an effort to move these commodities which you still are limiting to section 480?

Secretary BENSON. You know, of course, Mr. Chairman, of the reorganization that has taken place in the Department of Agriculture.

Mr. WHITTEN. Yes, sir.

Secretary BENSON. We brought together for the first time in the history of the Department all of the domestic marketing activities into our Agricultural Marketing Services, and our foreign marketing specialists into our Foreign Agricultural Service. We brought into the leadership of those agencies some of the best men that we could find in this field. Congress authorized last year the transfer of the agricultural attachés to the Department. This is going to give us representation in these various countries, directly responsible to the Department. We believe that will strengthen our arm considerably in this whole field of marketing and merchandising.

Mr. WHITTEN. Mr. Secretary I have had a chance recently to visit with the agricultural attachés in Europe.

Secretary BENSON. Yes.

Mr. WHITTEN. In the conference in Paris I asked them, and they are all honorable gentlemen, "Is there a man among you who will claim that you have known what we had for sale and what we were asking for it? If there is, hold up your hand." There was not a man there who held his hand up because the Department of Agriculture had not offered them for sale, and was not giving them a list of the commodities for sale.

Secretary BENSON. I think it was probably because of the fact that they did not feel any responsibility for helping move our surplus and to open markets. They were not responsible to the Department of Agriculture—

Mr. WHITTEN. Mr. Secretary, I beg to differ with you, because the hearings of your own Department last year showed that there was no submission of a list of commodities offered for sale on a competitive-bid basis. The reason why your folks in Europe did not have it is because the Department did not have any such policy and the records of our hearings last year show it. We cannot get you to offer these commodities that have not been offered, and your own testimony shows that.

In regard to the other commodities, including cotton, you have your people running around trying to sell them through 480 where we are largely giving it away, without having first offered to sell them for dollars through competitive bidding.

Secretary BENSON. No, we have continuously tried to sell these commodities for dollars.

Mr. WHITTEN. I beg to differ with you on your own statement. Cotton has not been offered for dollars on a competitive basis by the



Commodity Credit Corporation, and it is not offered now, according to your own people.

Secretary BENSON. That is true in the case of cotton because the industry itself had asked that we give them an opportunity to absorb these additional markets and to absorb the outlet that was available rather than have to offer the stocks that we now have in Government hands.

Mr. WHITTEN. And all the time you have been doing that you have had to cut the American farmer back under the law.

Secretary BENSON. But at the same time, Mr. Chairman, we are doing what we can to cooperate with the trade in building up additional outlets for cotton.

Mr. WHITTEN. At the same time our world competitors have increased their production of cotton more than a million bales a year.

Secretary BENSON. That is true. Part of the answer is the long-time technical assistance program where you have those countries coming back. We think that the cotton industry is doing a good job of pushing the markets and absorbing everything available in markets at this time. Meanwhile, we will take another look at it. We are looking at it constantly, Mr. Chairman, and I certainly get your point about encouraging us in doing more to move these surplus commodities at competitive world prices.

#### RESTRICTIONS UNDER PUBLIC LAW 480

Mr. WHITTEN. What would you say if this subcommittee should see fit to provide that these funds cannot be used by the Commodity Credit Corporation to, in effect, give away these commodities under Public Law 480, until you had at least offered them for sale for dollars as part of the regular authority that you have? Do you not think it is ridiculous to try to give something away before you try to sell it for dollars?

Secretary BENSON. I think we should take advantage of every opportunity to sell them for dollars.

Mr. WHITTEN. The record here shows with regard to upland cotton, linters and these various other commodities, that you are trying to move them under Public Law 480 without having first offered them for sale for dollars. I think such a course is indefensible, that you should first try to move them for dollars.

Mr. MORSE. In connection with this supplemental appropriation, I should like to call the committee's attention to the fact that last year we were twice before Congress to get our borrowing authority increased, finally up to \$10 billion. At that time there were no steps taken to get a comparable increase in funds for administrative expenses, the need for which naturally follows.

This present fund problem, goes back 2 years in our estimating time table, so that this is the logical adjustment, and an adjustment that needs to be made in order to carry out the increased operating authority which Congress gave us by 2 different actions last year. Unless we get this we cannot carry out the laws which were passed by Congress.

Mr. WHITTEN. If you would sell all of this cotton, or, if you offered it for sale, we could find out how much of it you could sell. If you sold it all we would not have all this money tied up, and we would not need to have all of these people, would we?



Secretary BENSON. Part of the action of Congress was to give us this Public Law 480. If we discharge that responsibility it throws an additional workload on the Commodity Credit Corporation, for which we have to have additional money.

Mr. WHITTEN. Do you not think it is wrong to give you authority to give stuff away at a time when you will not offer it for sale?

Secretary BENSON. Well, we are selling it.

Mr. WHITTEN. You have had authority to sell these commodities in world markets at any price you wanted to, but you would not use it. Congress is trying to get you to move some of these things out so you will not give them away, in effect.

Secretary BENSON. The 480 authority is through both normal operations and normal channels of trade——

Mr. WHITTEN. That is right, but in the case of these commodities I am talking about you did not offer them for sale on competitive bidding then, and you do not have them offered for sale on competitive bidding now, do you?

Secretary BENSON. Mr. Congressman, in response to that I refer you to the list we put in the record, which we have rechecked, and again submit to you.

Mr. WHITTEN. That is all right, I will hand you the one which the Department handed me a moment ago. On that list the ones checked you finally have for sale on a competitive basis. But the ones not checked you have not offered for sale in world trade, and you are trying to give them away through 480 and give them away in a substantial amount. There is one exception, and that is butter, and the testimony by one of your men yesterday was that you finally got the system going of offering butter for sale competitively.

Secretary BENSON. For instance, Mr. Chairman, wheat is not checked on here and our biggest investment in the Commodity Credit Corporation is in wheat, and I think you know the extent to which it is being sold competitively through the International Wheat Agreement.

#### CONGRESSIONAL ACTION TO RELIEVE SURPLUS COMMODITY SITUATION

Mr. WHITTEN. I so not wish to prolong this discussion unduly, but this is basic to our whole agriculture and I think to our national economic problems. The record shows that perhaps you have more money tied up in more agricultural commodities in Commodity Credit Corporation stocks than we have ever had before, giving or taking a little.

The record shows, Mr. Secretary, that because of that huge buildup of commodities, your administration last year requested, and the Congress in its wisdom adopted, reduced support prices insofar as the law is concerned on the basic commodities, reduced the support level for milk and made drastic reductions last year for this year's acreage in production, and changed the parity of the farmer to where it can go down as much as 5 percent each year, until it gets down to 75 percent of parity. We also passed this legislation authorizing the so-called sales for foreign currencies where those currencies will be primarily used for economic development in the recipient countries. And all of that was done at a time when you had authority to sell these commodities on a competitive bid basis, but you simply did not.

Now, is there any issue that you wish to take with that statement, Mr. Secretary?

Secretary BENSON. Yes.

In the first place, Mr. Chairman, and gentlemen of the committee, that flexible provision to which you referred becomes operative on the 1955 crops. It is not a new provision at all. It was in the 1948 and 1949 acts.

It is endorsed by both of the major political parties as a sound and safe basis for a peacetime agricultural program.

That question of moving from the old to a new parity was something approved earlier by the Congress also, and which had bipartisan support. Last year Congress enacted this basic legislation, in line with previous peacetime legislation, to start becoming operative beginning on the 1955 crops, including the modernization of parity on the remaining commodities. I know, of course, you think that change in parity is indefensible, but I think it should be done. The recommendation was for a gradual transition which I think is sound.

On the question of world markets, many of those markets were seriously disrupted during the war and immediately following the war. There was an insatiable demand for certain farm commodities during the war. This market disappeared rather abruptly at the end of the war. Also our foreign-aid program helped to do the same thing. We are still adjusting back to a peacetime economy. It takes time to do that, and it takes time to regain those markets and to rebuild them.

I think, generally speaking, there was an effort to absorb a part of those markets or to expand them.

I am very sympathetic with the proposition that we should be active and vigorously competitive in offering these commodities for sale where there is an opportunity to expand markets and not disrupt or break markets.

I think, in the long run, we want to build up markets for products of the American farm. That is our program.

#### POLICY RELATING TO SALE OF COMMODITIES ON COMPETITIVE BASIS

Mr. WHITTEN. Mr. Secretary, I met with the attachés in Europe, not because I thought that the answer to the problem lay with them. I knew the real answer to the problem lay here in the shortsighted Government policy. I thought that the evidence was there, and the evidence is there.

The evidence is there that those countries have the dollars and that they will buy these commodities if they are offered.

According to the testimony of all of you, cotton, cheese, corn, rough rice, seeds, resin, turpentine, olive oil, and tung oil, in which you have billions of dollars invested, are not now being offered for sale on a competitive-bid basis to American exporters for export sale.

Secretary BENSON. It seems to me, Mr. Chairman, that this is somewhat of a reflection on the ingenuity and the aggressiveness of our American traders.

Certainly all during this period our American traders have had quantities of these commodities available, and some of them have been on their toes to find possible outlets in world markets for these commodities. Certainly we have had no pressure for making quantities of those commodities available to them. Generally speaking, the free

market has had great quantities of these commodities available to them and the American trade has been busy going after, finding, and expanding outlets for them. If there are shortages I do not know where they are. Our traders can always get quantities of these commodities to move in and absorb the markets which are available to the trade.

Mr. WHITTEN. The traders have a limited price at which they can sell cotton, which is the United States minimum support price. That is the lowest price at which they can sell it and continue in business, is it not?

Secretary BENSON. I think, in that connection——

Mr. WHITTEN. No; as long as the American cotton producer can put his cotton under loan with the Government, the trader cannot get his cotton below that price and sell in the world trade at any price other than something which is higher than our support price.

Secretary BENSON. Except as he may get some of the commodities in the free market which may be somewhat below the support price.

Mr. WHITTEN. But they will not be substantially below.

Secretary BENSON. No; generally speaking, I think they would not be.

Mr. WHITTEN. Of course not.

Secretary BENSON. If we went to the extreme of offering this stuff at any low price abroad in any quantity that would exert a tremendous influence in the way of a subsidy for exports. I think it is much better to build up gradually, to expand our markets gradually rather than to dump great quantities on the markets that will not be taken and thus break the markets.

Mr. WHITTEN. Do you not expand the market more when you make a commodity available on a competitive price than by holding it at a higher price?

Secretary BENSON. Generally speaking there is a response to price, but with the quantities that are available we do not want our world price depressed unduly. That affects our American farmers and it increases the cost to the American taxpayer for moving this stuff abroad.

Mr. WHITTEN. I can appreciate your reasoning there.

The minute I try to get you to consider selling some of your surplus, you talk about what would happen if you sold it all. You have built up the quantity to such a high level because you have not sold up until now, and you cannot afford to offer it all for sale.

However, there is nothing to prevent you, beginning the 1st of July, from announcing that 100,000 bales of American cotton from Commodity Credit Corporation stocks will be offered for sale to American traders for export.

If you announce such a policy not only with regard to cotton, but with regard to other commodities, commencing with next year's crops, you would help the American cotton farmer tremendously. When you make that announcement you will slow down the increase in production in the countries of the world which are increasing their cotton production. Through our foreign-aid program we are digging deep wells in India and doing other things to help these folks increase their cotton production.

Secretary BENSON. You are proposing that we subsidize the export of cotton, even if we face the opposition of the cotton companies?



Mr. WHITTEN. No; I would not say subsidize. Who owns this cotton?

Secretary BENSON. The Government owns this cotton.

Mr. WHITTEN. And the Government has money in it?

Secretary BENSON. That is right.

Mr. WHITTEN. If the Government, instead of holding it and losing all of the money it has in it, would sell it we would make money.

Secretary BENSON. But your supposition is not correct; we do not anticipate—

Mr. WHITTEN. Are you going to continue cutting the American farmer's production back so that you can help these other countries?

Secretary BENSON. No; but as long as the industry itself feels that it is absorbing all of the markets which are available we do not feel like running in the face of their belief.

Maybe we should follow your admonition and offer 100,000 bales of cotton in competition with the trade and with the industry. We will certainly take another look at the whole thing, Mr. Chairman. It may be that that is the thing that we should do. I do not say at this time that it is not, but I do say that the industry has recommended against it—not only the trade, but numbers of farmers as well, as I understand it.

Mr. WHITTEN. Mr. Secretary, may I read you a letter from one of the outstanding cotton men in my section?

Secretary BENSON. Yes.

Mr. WHITTEN. It has already been read into the record. It is addressed to Mr. William A. Crabill, president of the Delta Council, Stoneville, Miss. Incidentally, the Delta Council adopted resolutions in support of this:

I understand that the Delta Council is deeply interested in increasing exports of cotton. With the thought that some views from the trade might be interesting to you, I enclose copy of letter which I wrote to the Honorable Jamie L. Whitten a week ago.

My principal reason for writing to you is to explain why, from the standpoint of the whole southern economy, I believe that the Whitten plan of selling a fixed quantity of cotton to the highest bidder each week will be much more effective in winning back our exports and discouraging the present trend of increased foreign production of cotton.

Let us assume an export subsidy of 4 cents per pound. At first, the increased foreign demand would indicate that next year's crop of, say,  $11\frac{1}{2}$  million bales would not be enough to go around and prices would immediately rise 2 cents. This 2-cent rise in price would immediately nullify one-half of our export subsidy. Then the foreign producer, as he must do because he cannot carry his cotton as we carry ours, will sell his cotton for 25 points under our effective 2-cent subsidy. The trouble with a fixed-price loan over here, or a fixed-price loan less a subsidy, is that the foreign producer must sell his cotton and will always hold his price just a little under our price until he has sold.

Under the Whitten plan, protected by the loan, the producer will get 1 cent per pound over the loan, but the weekly sales of a total of 5 million bales will vary from week to week and the foreigner, not having an umbrella to protect him, will be discouraged from gradually bringing this country to a domestic cotton economy.

The foreign producers really don't fear an export subsidy for the reasons mentioned above. I believe the Whitten plan will do the trick and then after 2 or 3 years, the cotton producing countries may get together and agree that our share of the world cotton market is 5 million bales and then the dogfight will come to an end.

Now, I quite understand this approach of the cotton trade in Memphis, Tenn., which is one of the bigger cotton markets. They all recognize that we are going to have to work out some means of moving this cotton back into the world trade on a competitive basis

or else they are going to take all of our export market away. Because of 30-cent labor in India, and because of 50-cent and \$1 labor in other countries, the record shows that since 1945 there has been millions of increase in bales of production. So, the trade, if you explain it, will go along with you in my opinion. I am quite familiar with this.

Secretary BENSON. I presume you recognize that the Cotton Council is a pretty good voice for the industry. I would like to have that letter made a part of the record.

Mr. WHITTEN. It is in the record.

Secretary BENSON. It is?

Mr. WHITTEN. Yes, sir.

In conclusion I would like to point out that before anybody wants to reduce that support price, before anybody wants a 42-percent increase in administrative funds to take care of commodities, you should tell the American people that you will not offer them for sale competitively.

The other effect of holding these commodities off the market is better described than I can describe it by the National Advisory Committee for CARE, composed of such men as Roy C. Ingersoll, president of Borg-Warner; Ward Melville, of the Melville Shoe Co.; and H. J. Heinz, and others.

They state that this policy of holding these commodities costs the United States \$700,000 a day for storage, deprives the American railroads of transportation equal to 100 transcontinental freight trains each day for a year, not to mention the loss of labor, and the effect on agriculture itself.

Now, that is the cost of holding these commodities which we are not offering for sale to world trade, and the ridiculous part of it is we are holding these commodities back largely at the instance of the Department of State in the name of helping needy people.

Secretary BENSON. Well, no, I would have to take exception to that, Congressman.

The biggest single item of that storage bill is wheat, and we are certainly moving wheat competitively through the world wheat program, and a number of the other commodities are also being offered for sale, so you cannot charge that up against commodities we are not offering competitively, because many of those commodities are moving. We are selling wheat in competition with Canada.

Mr. WHITTEN. Did not Canada undersell us on wheat by 1 cent a bushel?

Secretary BENSON. We have been accused of underselling them, so it is nip and tuck with Canada. We have tried to work out a working arrangement with them.

Mr. WHITTEN. We are trying to get along with everybody who is trying to sell cotton. India should love us for our attitude.

Secretary BENSON. I would like to sit down with the cotton industry on the basis of the information you have presented, Mr. Chairman. I would like to state that we are just as anxious to improve that situation as anyone is, and that holds true of all commodities.

We will push forward on this, Mr. Congressman. We will take another good look, a critical look at it in view of your comments.

Mr. WHITTEN. Now, Mr. Secretary, I hope that you can do what I know you honestly think you can do. And I know when you say you are making progress that you are making progress in breaking down



the attitude of our foreign-aid people. Reports to me indicate that the State Department has demanded that you notify our competitors before we offer commodities for sale. My information comes from your own Department. I would just like to know if you are aware of that, and if that is not a fact.

Secretary BENSON. I would like to check on that with some of my associates, but I think that is not real at all.

Mr. WHITTEN. I think that is a fact.

Secretary BENSON. I think that was suggested at one time, but I think we have cleared that hurdle.

Mr. WHITTEN. You have?

Secretary BENSON. Yes. Naturally they want to maintain a good relationship with our friendly countries abroad, but our first consideration is the American farmer and our own economy at home.

Mr. WHITTEN. Mr. Secretary, I know your heart is right, but when you reduce parity, reduce the support level and cut American production down and hold all of this cotton and all of these commodities and don't offer them for sale competitively, I just cannot help but believe that you and others do not follow the purpose that I am sure you have in mind.

Secretary BENSON. I think the records indicate that our exports are moving out and that we are doing a better job in the marketing field than has ever been done in the Department. When you say it has not improved, I am sure that it will improve. We are glad to have your urgings and suggestions and the benefit of your suggestions.

Mr. WHITTEN. Mr. Secretary, I wish the next time you make a speech on the American agricultural program where you point out the huge investment we have in commodities and how much cheese we have on hand, and that you would also tell them that my Department and I have not yet and are not now offering these commodities for sale in world trade on a competitive-bid basis. I think, in fairness, you should tell the people that you are going to make these other points as you have.

That is a matter of personal opinion.

Secretary BENSON. Of course, I will also talk very directly to the American farmer, and my position will always be that which I think is in his best interest.

I think the Congress acted wisely in the legislation which they passed during the last session concerning agriculture.

I know we do not agree on that, but I think time will prove that they have moved in the right direction.

It is not perfect by any means, and there may be need for some refinements later, but I think it is a step in the right direction.

Of course, its full effect has not been felt yet. On the question of price supports the change in that has become effective. The foreign trade development is in operation, and attachés are in the process of being put in.

Mr. WHITTEN. You know, it is ridiculous to be spending all of the money that we are spending for agricultural operations abroad at a time when we have a policy of not offering our stuff for sale competitively.

Secretary BENSON. That is not the policy, Mr. Chairman. We are offering a good many commodities for sale, and I think that others are being offered by the trade.



Mr. WHITTEN. With the American support price being the lowest at which they could possibly sell.

Secretary BENSON. Well, of course, Mr. Chairman, we would not want to dump them at just any price.

Mr. WHITTEN. If I try to get you to sell you start to talk about dumping it all. If you cannot sell a little of it without dumping it all, maybe you are right. I would figure that you might count on not dumping it all.

Secretary BENSON. Well, we are moving in that direction.

#### REDUCTION IN COTTON ACREAGES

Mr. WHITTEN. I have personal knowledge of this, and the record will show many letters and excerpts from letters to the effect that cotton acreage production in Mississippi and in the South has been reduced.

I asked you for a survey on how many working farmers were left without any means of livelihood, and how many small landowners were reduced in acreage, and I had a reply from you in which you said the survey would be made.

All you have to do is to ask the county extension agents to give you a report as to how many Negroes and tenant families have been put out without any means of livelihood. All you have to do is to ask for the number of farmers with only 5 acres of cotton who have been reduced even below that amount. They can supply that information to you very readily and very easily.

I had thought in the past you might show that relationship in these hardship cases, point up the whole effect of holding this cotton, and have a part in the determination of the cotton acreage you will allow. Not only do these surpluses hurt us by having our money tied up in them, and not only does it hurt us by inviting increased production throughout the world, but it has the further effect of cutting our American farmers back to where they cannot live off of their acreage.

Secretary BENSON. Of course, that is part of reducing the acreage.

Mr. WHITTEN. That is right, but if you had moved the cotton that you have on hand into world trade you would not have it now.

Secretary BENSON. We are anxious to do that. Maybe we have not moved it as vigorously as we might have.

Mr. WHITTEN. May I tell you, Mr. Secretary, that the first thing in trying to sell anything is to offer it for sale.

Secretary BENSON. That is right, and we will offer it.

Mr. WHITTEN. Thank you, and I hope you will notify me what that change of policy comes to. I want to congratulate you for having changed your policies in offering a few of these commodities for sale on a competitive-bid basis, and I hope that you will move increasingly in that direction.

Secretary BENSON. I think we are going most vigorously toward that.

Mr. WHITTEN. Mr. Secretary, whether you are right on the flexible supports—and I do not think you are—or whether I am right, as long as you have the high cost of American agriculture you are going to have to do something to protect the price the American farmer gets. But there is no farm program that will ever work, following your views or mine, that does not provide for the United States of America to sell

whatever agricultural commodities it has and does not need for what it will bring in the market places of the world. Unless those products are offered on a competitive basis on the world markets, no program will work. That is why we want to give you carte blanche authority to do anything you like as far as sales are concerned. And it is disturbing to see you run the gauntlet of State, Treasury, and everything else, when all the time the charter and the law authorizes you to sell on a competitive basis. It is terrible to see you have that authority and not use it.

Secretary BENSON. I have said many times that the purpose of production is consumption, and we are very much interested in this marketing field and are putting more emphasis on it than has ever been put on it in agriculture.

Mr. WHITTEN. May I congratulate you on putting the emphasis on it. Now I hope you will give them permission to sell.

Secretary BENSON. We will do that.

Mr. WHITTEN. Mr. Marshall.

#### EXPORT OF RYE

Mr. MARSHALL. I was interested in the comments you made about rye. It is one commodity which you have moved into world trade at competitive prices and is an important product in my particular State. How much rye have you moved into export during the last year?

Secretary BENSON. I do not have the figures. We can put that in the record.

Mr. MARSHALL. And along with that I would like to have the amount of importation of rye for the same period. If you do not have it for this past year, for the year previous.

Secretary BENSON. The most recent year?

Mr. MARSHALL. The most recent year you can give.

(The information requested is as follows:)

United States imports of rye were 5,564,000 bushels in the marketing year 1952, and 10 million bushels in the marketing year 1953.

United States exports of rye were 320,000 bushels in the marketing year 1952, and 7,000 bushels in the marketing year 1953.

#### POLICY OF ADMINISTRATION OF CCC STOCKS

Mr. MARSHALL. I have found considerable uncertainty among the States as to the policy of handling Commodity Credit Corporation stocks, that is, the administrative work of handling them. I would appreciate it if you could send to me the procedures that you have put into effect in the last 2 years. Would that be possible?

Mr. McCONNELL. I do not quite understand what it is you want.

Mr. MARSHALL. The changes you have made in the policy of your field handling and storage of Commodity Credit Corporation stocks. I am not particularly interested in cotton or tobacco because I am not familiar with those commodities. I am principally interested in corn and wheat. If I had that information on corn and wheat it probably would set the pattern for the other commodities as well.

I think, Mr. Secretary, that will be all at this time. There are a number of items I would like to go into but I think we can do that in our hearings on the appropriation bill.

Mr. WHITTEN. Mr. Horan.

RELATION OF DEPARTMENT OF AGRICULTURE WITH INTERDEPARTMENTAL AND INTERAGENCY COMMITTEES

Mr. HORAN. There are some things I am interested in that I would like clarified for the record. We on this committee have always been jealous of the Department of Agriculture's standing at the Cabinet level, and I understand you have to get along and cooperate with other departments and agencies, but is there an improvement in the equality of the Department of Agriculture on interdepartmental and interagency committees?

Secretary BENSON. Of course I do not sit on the committee, but the reports that come to me indicate there is an equality and that all our proposals have had very ample consideration. We feel we have made progress in helping them see more clearly the problems that face us in agriculture, and we think there has been developed greater sympathy and understanding of the whole problem.

Mr. HORAN. At the occasional meetings on general agreements on tariffs and trades, I have had repeatedly brought to my attention complaints that the State Department agent, who is the captain of the team, or has been, tended to dominate all other agencies on those general agreements on tariffs and trades. I think this has been to our detriment, because the judgment and will of one person took precedence over what should exist as a team.

Secretary BENSON. I will make this comment and then ask Mr. Lodwick to comment. In the first place, the chairmanship is held by Clare Francis, who is not the representative of any department but an appointee of the President. One of our men in FSA, Mr. Lodwick, is chairman of the operating committee. I would like him to comment.

Mr. HORAN. Personally I would like to see some improvement in the situation. It was bad at one time.

Mr. LODWICK. I can only speak for a very short period. At the beginning, in organizing to carry out the will of the Congress as expressed in Public Law 480, we had a lot of administrative work to do. A lot of people had to learn what it was all about because we had some 7 or 8 agencies represented on that committee. There were many different views on the purposes and objectives of Public Law 480 as put forth by the representatives of the various departments.

I am very happy to say that in the last few weeks the views of all the members have become much more unanimous than was the case in the early stages. The representatives naturally represent the views of their departments. They do not always agree with Agriculture and vice versa. We look upon Public Law 480 as a medium and a tool to be used in the furtherance of our foreign trade, and it is not always the purpose, in our administration of that act, to sell for local currencies. Our objective, first, in the operation of Public Law 480, is to sell all the commodities for dollars we can sell. When we have exhausted the dollar mark, then we try some other device, which we commonly call barter, for something we do not produce ourselves but that is important to our national welfare. So we will barter for that



sort of thing. When we feel we have exhausted those two sources, then we go over to the local currencies.

In the discussion this morning there is one thing that was overlooked, I think, that is probably one of the biggest problems we have in the administration of this law, and that is that practically every country in the world has some barrier of one kind or another to the importation of commodities. It may be some hygienic law or a number of other things with which you are no doubt familiar and I know your chairman is quite familiar. It is difficult to sell many of these things in a one-shot deal. They will buy huge quantities for local currency and store them, and when the next crop comes, there we are. I honestly believe it is harder to give away things than to sell them. That may sound strange to some people, but almost every country in the world has the same concept we do, they want to protect the local producers, so they will put an import tax on this or that and the other thing and we horse trade with them. The first thing we look at is, "How much are you going to buy commercially," then we say, "You buy that much for dollars and we will sell you an additional amount for local currencies."

That is a very brief statement of the philosophy of this operation.

Mr. HORAN. I will only make this comment, when it comes to the matter of world trade in foods: We are very anxious for agriculture to have an equal if not a dominant voice in matters affecting world trade. I know your predecessors, Mr. Brannan and Mr. Anderson, were very much disturbed about these things. I think Congress, and you, and the President have helped correct some of these things. Personally, I am very much encouraged by the picture at this date. We are in the process of retooling the Department so that we can aggressively assert ourselves in the world markets.

Secretary BENSON. I think in the years I have had contact with the Department of Agriculture—not as Secretary—and during the last 2 years I have been Secretary, I think the relationship between the departments has never been as good as far as agriculture is concerned. We feel we have a better working relationship than we have in my acquaintance with the Department. It is not perfect by any means, but I feel good about the progress we have made.

Mr. HORAN. I think all of us are on the chairman's side on the matter of getting rid of these commodities, but the matter of a balance in the market prices is a very tenuous thing. Yesterday my colleague, Mr. Andersen, raised the point about the price at which eggs were sold. This raises a question of how far you can go in offering goods on any market without wrecking it entirely. I would like to have some comments from you or Mr. Wells or Mr. Richards on that, with reference, perhaps, to cotton.

#### EXPORT SALE OF COTTON BY INDUSTRY

Mr. RICHARDS. The cotton problem is quite complicated. I think one of the things you have to consider is that we are probably going to export 4.5 million bales under present policies without the Government selling any out of its stocks. If we were to sell actively out of our stocks at the best price obtainable, I think that would probably mean that the total would amount to 6 million bales instead of 4.5, but whether there would be any net gain in dollars, I do not know.

The other thing is that the cotton industry has insisted that we postpone the takeover date of our cotton loans for a full year. In other words, we just recently took over cotton that was put under loan in 1952. The 1953 cotton is still under loan and almost all the cotton people who have come in to see us have stressed the point that if we did not sell our stocks it would give the farmer an opportunity to move his cotton through the private trade and prevent the Commodity Credit Corporation from taking any cotton over at all. At the same time the farmer would have price support benefits.

Without saying whether Mr. Whitten is right or wrong, and I do not know, I think if we adopted his policy all the cotton exports would have to flow through the Commodity Credit Corporation, which would increase substantially the volume of cotton flowing through the Commodity Credit Corporation.

Mr. HORAN. It is my understanding you will look into it and consult with the trade and the cooperatives and the producers.

Secretary BENSON. We have and we will further.

Mr. HORAN. What we are talking about in general is a two-price system. I know when you and I were in college we went into export debentures, and out of that we evolved section 32 funds, which, to me, is a sort of export debenture.

#### MARKETING PROGRAMS UNDER TWO-PRICE SYSTEM

I would like a list placed in the record of our marketing programs that amount to a two-price system. In the old days we used to have Liverpool to base our world wheat market on. We do not have that now. The world market is a nebulous thing.

I ask for that because I do think we are going to get a lot of experience from the operation of Public Law 480. I think Mr. Cooley's committee will have reason to look into it further and perhaps amend or present new laws that will deal with that. I feel if we have an experience we should capitalize on it and know what we are doing when we do it and do it in light instead of heat.

Secretary BENSON. We will be glad to do that.

(The information requested is as follows:)

1. Section 32 export payment programs, under which the Department makes an export differential payment to exporters to encourage increased exports. Two such programs are currently in effect:

Fresh and processed citrus:

Fresh oranges	cents per box	75
Fresh grapefruit (comparable rates on processed citrus)	do	60
Raisins	cents per pound	1½

2. International Wheat Agreement: The Department makes payments to exporters to cover the difference between the United States price and the price under the agreement. The average rate of payment for the fiscal year 1954 was 50.8 cents per bushel. The current rate is 75 cents per bushel.

In addition, CCC makes wheat available for export, as either wheat or flour, from its own stocks on the same terms at which sales are made under the agreement.

3. CCC sales at less than domestic market prices: Under the provisions of the Agricultural Act of 1949 and the CCC Charter Act, CCC can sell any commodities

for export without restriction as to price. Currently (January price list) CCC is offering to sell for export at prices below domestic market prices:

Cheese	Grain sorghums
Butter	Cottonseed oil
nonfat dry milk	Pinto beans
Oats	Linseed oil
Rye	Dried whey
Barley	

4. Public Law 480: Commodities will be sold by CCC under Public Law 480 for foreign currencies on the same price basis on which they are available for dollar transactions under other CCC export sales programs.

5. Barter: From its own inventories, CCC arranges to release against barter contracts an equivalent value in agricultural commodities based on the same prices at which they are available for dollar transactions under other CCC export sales programs.

#### PRICE SUPPORT ON PREMIUM WHEAT

Mr. HORAN. I was very happy in my district this summer when I attended a Pamona Grange meeting. I found the wheat growers very approachable and sensible in approaching the problem we had in wheat. They passed a resolution calling for support prices to be placed on a quality rather than a quantity base. There is no question but that you can sell hard wheat, if you can raise it, at a premium today. Some of the wheat we are raising is of very low quality. You can raise up to 70 bushels on a dry acre. That is pretty good, but the quality is such nobody wants to buy it. If we were to place a price-support premium on quality you would solve some of our problems, because you can only raise 30 bushels an acre but you raise something you can sell. In placing our whole operation on quantity we have forgotten that quality is what sells things in the markets. I do hope we will achieve something in that direction.

Secretary BENSON. I think it is worthy of very careful study. We have given some preliminary attention to it.

Mr. HORAN. Thank you, Mr. Secretary.

Mr. WHITTEN. I would like to comment on Mr. Lodwick's appearance here. I have had occasion to talk to him a number of times. Frankly, this record may not show it, but I approve of his attitude as he goes into this job of trying to sell American commodities. This record will disclose my efforts to give him something to sell. His statement about various foreign countries requiring permits for imports is correct. The best way for them to get these permits is for the American price to be competitive and for the American product to be handled under the program authorized by the Commodity Credit Corporation charter, so that other countries can see a consistent source of supply in future years on a competitive basis.

#### AGRICULTURAL ATTACHÉS

I am disturbed somewhat about the agricultural attaché situation since they are under the so-called political appointment category where they are subject to hiring and firing by the President without civil-service protection. I hope you will be able to prevail on the President to change that order so that a man can go into the agricultural attaché field with the same protection the others have. The report of my recent trip will show some of the comments I have to make on the subject of salaries being commensurate with ability.



For instance, in Holland one of the men I was most impressed by was the agricultural attaché there, Mr. Dietz, who draws about half the salary as the man in Great Britain and his responsibilities are fully as great. Until we change the position from political to civil service, it is going to be hard to fill it. I have suggested to Mr. Lodwick, for what it is worth, that it might be well to try to place in the agricultural attaché field people he could borrow on leave of absence from regular work of the Department until you get this thing set up. I suggested a good field to look to would be the Commodity Credit Corporation.

I should like to urge also, and I shall introduce a bill to do it, to make the man in Mr. Lodwick's position an ex officio member of the Board of the Commodity Credit Corporation.

My point is that however good a job you do, you are passing up the best sales force in the world, and that is the American export trader. If you would do as I advocate these commodities would flow into the trade where they have their connections and their offices and where, until we started this shortsighted policy, they did flow. It would relieve so many things.

One other comment I would like to make is on the illustration of Mr. Richards. His illustration was that we expect to export 4.5 million bales at the support level or thereabouts and if we offered it on a competitive bid basis the amount might be increased to 6.5 million bales and it might not return more dollars. I would like to point out the benefits, whether it brought more dollars or not, which are that by moving it into world trade channels we would stop the increase in production in foreign countries, which would give relief to the American cotton farmers so that you could justify yourself in increasing acreages to take care of hardship cases. On this basis we would do what the original Commodity Credit Corporation charter contemplates, that is, sell commodities we do not need to the people of the world who do need them, whatever your support level may be. We live in a world where all countries do not have laborers earning 90 cents an hour. We cannot let American farm prices get down to compete with 30 cents a day labor in other countries where they have not had 13 freight-rate increases since World War II.

I point this out to you and I hope you will notify this committee of your findings as to the increase of world production of these commodities which you have on hand and which are not being offered for sale, competitively, at the moment, showing what the increase in world production has been since 1945.

I think when you see that it will certainly spur you up in your efforts, and I know you will not have trouble with the State Department so long as you can stay within the record and it will strengthen your hand in going ahead along the lines I am talking about.

Secretary BENSON. Thank you, Mr. Chairman.

Mr. LODWICK. Mr. Chairman, I would like to make a statement, for the benefit of the Secretary. We are greatly indebted to our chairman for a most inspiring speech which he made in Paris. We had all European attachés there and they learned an awful lot. I, also, would like to tell you, Mr. Chairman, that since our return from Paris the 3 men who were drawing salaries as assistant attachés are now full-fledged attachés and have had 2 increases in salary.

MR. WHITTEN. I would like to say that I am highly gratified that such action has been taken, because we were about to lose the best men you had. I had the feeling that all of our agricultural attachés were fine people. Naturally some of them are more inclined one way and some another, but by and large I found them to be fine people. If we can get them something to sell, I believe they will help us sell these products.

Secretary BENSON. Mr. Chairman, I appreciate what you have done and appreciate the interest of this committee in this field.

MR. WHITTEN. That is all, gentlemen. We thank you, Mr. Secretary, for your appearance here this morning.





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# URGENT DEFICIENCY APPROPRIATION BILL, 1955

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HEARINGS  
BEFORE THE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE  
EIGHTY-FOURTH CONGRESS  
FIRST SESSION  
ON  
**H. R. 2091**  
AN ACT MAKING APPROPRIATIONS FOR THE FISCAL  
YEAR ENDING JUNE 30, 1955, AND FOR OTHER  
PURPOSES

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Printed for the use of the Committee on Appropriations





# URGENT DEFICIENCY APPROPRIATION BILL, 1955

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HEARINGS  
BEFORE THE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE  
EIGHTY-FOURTH CONGRESS  
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# URGENT DEFICIENCY APPROPRIATION BILL, 1955

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FRIDAY, JANUARY 14, 1955

UNITED STATES SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, D. C.*

The committee met at 10:10 a. m., pursuant to notice, in room F-37 of the Capitol, Senator Carl Hayden (chairman) presiding.

Present: Chairman Hayden, Senators Ellender, Robertson, Holland, Clements, Bridges, Young, Knowland, Thyne, Mundt, Smith, Dworshak, Dirksen, and Potter.

## STATEMENT BY THE CHAIRMAN

Chairman HAYDEN. The committee will be in order.

I called this extraordinary session of the committee because the House yesterday passed the urgent deficiency appropriation bill which involves certain items that need attention.

The first item on the agenda is for an increase in the limitations for administrative expenses in the Commodity Credit Corporation.

## DEPARTMENT OF AGRICULTURE

### COMMODITY CREDIT CORPORATION

STATEMENTS OF TRUE D. MORSE, UNDER SECRETARY OF AGRICULTURE AND PRESIDENT, COMMODITY CREDIT CORPORATION; WALTER C. BERGER, ASSOCIATE ADMINISTRATOR, COMMODITY STABILIZATION SERVICE; PRESTON RICHARDS, DEPUTY ADMINISTRATOR FOR PRICE SUPPORT, COMMODITY STABILIZATION SERVICE; R. P. BEACH, ASSISTANT DEPUTY ADMINISTRATOR FOR OPERATIONS AND BUDGET OFFICER, COMMODITY STABILIZATION SERVICE; AND JOSEPH C. WHEELER, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

## SUMMARY OF JUSTIFICATION

Chairman HAYDEN. Inasmuch as the entire justification is printed in the House record, I will ask that the summary appear in the record at this time.

(The summary referred to follows:)

## ADMINISTRATIVE EXPENSES, COMMODITY CREDIT CORPORATION

Limitation to date.....	\$18, 000, 000
Request.....	7, 290, 000
Employment:	
Average number current limitation.....	3, 297
Average number involved in this estimate.....	1, 374
Man-months employment, November 1954.....	4, 292

## PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The increase of \$7,290,000 consists of (a) an increase of \$6,392,000 due to the estimated increase in the volume of price-support activity over the volume of activity upon which the 1955 budget estimates were predicated and, (b) an increase of \$898,000 for increased responsibilities and workload of the State agricultural stabilization and conservation offices.

Almost 90 percent of the total increase requested is due to changes in estimated program volume and is sharply demonstrated by the comparison of the volume upon which the 1955 budget estimates were predicated with current estimates of program volume.

Commodities	1955 budget estimate	Current estimate	Percentage change
Loans made:			
Corn.....bushels.....	275, 000, 000	260, 600, 000	-5
Cotton.....bales.....	2, 030, 000	2, 525, 000	+24
Wheat.....bushels.....	310, 000, 000	400, 000, 000	+29
Other grains.....do.....	176, 000, 000	267, 100, 000	+52
Acquisitions:			
Corn.....bushels.....	295, 000, 000	367, 000, 000	+24
Cotton.....bales.....	1, 365, 000	1, 675, 000	+23
Wheat.....bushels.....	250, 000, 000	362, 400, 000	+45
Other grains.....do.....	107, 600, 000	260, 733, 000	+142
Dairy products.....pounds.....	650, 000, 000	1, 150, 000, 000	+77
Dispositions:			
Corn.....bushels.....	120, 000, 000	200, 938, 690	+67
Cotton.....bales.....	635, 601	327, 633	-48
Wheat.....bushels.....	135, 000, 000	225, 012, 638	+67
Other grains.....do.....	25, 760, 000	120, 737, 968	+330
Dairy products.....pounds.....	916, 000, 000	1, 118, 947, 990	+22
Total cost value:			
Loans made.....	\$1, 954, 566, 000	\$2, 381, 951, 000	+22
Acquisitions.....	2, 074, 391, 000	3, 244, 177, 000	+56
Dispositions.....	1, 397, 111, 000	2, 332, 428, 000	+67

*Loans made.*—When the 1955 budget estimates covering the administrative expense limitation of the Commodity Credit Corporation were prepared they were based on a program volume relating to crops most of which were not even planted. The crop report released on November 10, 1954, indicated that production prospects are again at a near-record level. In addition, the latest report of the volume of 1954 grains placed under price support indicates that these grains are going under price support at a higher rate than occurred during the previous years. Consequently, except for corn, the production of which has been reduced by the recent drought, the estimates of the amount of grain to be placed under price support have been revised upward. A 24-percent increase in cotton loans over the previous estimates is also indicated.

*Acquisitions.*—The estimated increase in acquisitions is primarily due to (1) the greater volume of collateral forfeited in connection with prior-year loan programs for corn and cotton, (2) the likelihood that the decrease in the support price of certain of the 1955 crops will result in increased takeover of 1954 crops of wheat and other grains, and (3) a larger volume of dairy products to be purchased as a result of a larger production of milk than previously estimated.

*Dispositions.*—The estimated increase in dispositions results primarily from a more aggressive sales policy implemented by a number of recent legislative enactments which considerably broadened the disposal authority of the Corporation. These include: (1) Title I of the Agricultural Trade Development and Assistance Act of 1954, which authorizes the sale of surplus commodities for foreign currency. It is estimated that \$400 million worth of commodities will be disposed of in connection with this program. (2) Title II of this same act which authorizes the use of CCC surplus commodities in meeting famine or other urgent relief requirements



of friendly nations. It is estimated that \$120 million worth of commodities will be disposed of in connection with this program. (3) Barter and exchange activity which has been emphasized and implemented by new legislation, particularly section 303 of the Agricultural Trade Development and Assistance Act of 1954. During the fiscal year 1954, \$29,436,781 worth of commodities were involved in the barter and exchange programs of the Corporation. It is anticipated that this program will increase to \$200 million in the fiscal year 1955. (4) An amendment to section 416 of the Agricultural Act of 1949 permits donation of commodities to prevent waste and authorizes the Commodity Credit Corporation to pay reprocessing, packaging, transporting, handling, and other charges. Cost value of donations of butter, nonfat dry milk, cheese, and cottonseed oil are estimated at \$262 million, which is an increase of \$47 million over the original estimate. (5) An amendment to section 407 of the Agricultural Act of 1949 authorizing the donation of commodities to distress and disaster areas in the United States. It is estimated that \$64,430,000 worth of feed grains will be disposed of in connection with the current drought program.

A summary of the \$7,290,000 proposed increase is as follows:

(a) Due to changes in estimates of program volume:		
(1) CSS commodity offices:		
(a) Transfer of warehouse inspection from counties	\$442,000	
(b) Other	4,715,445	
Total CSS commodity offices		5,157,445
(2) Transfers to AMS:		
(a) Special school milk program	\$185,000	
(b) Sec. 416 disposals	104,800	
		289,800
(3) Washington divisions and their field offices		727,755
(4) Printing		217,000
Total, due to changes in program volume		6,392,000
(b) Due to increased responsibilities and workload of the State offices:		
(1) Supervision of county offices		710,000
(2) Grain storage structure program		188,000
Total, State offices		898,000
Total increase		7,290,000

It is estimated that the Corporation's administrative expense limitation will be fully obligated in March.

(a) *Due to changes in estimate of program volume*

*Commodity office increase.*—The major portion, or \$5,157,445, of the increase of \$6,392,000 will be required by the CSS commodity offices. The workload and expenses of these offices vary directly with the volume of commodities handled and are estimated on the basis of a detailed work measurement reporting system. The major portion of the workload is comprised of the transactions relating to the acquisition, management, and disposition of inventories and consists of the negotiation and allocation of storage space, inspection of storage facilities and commodities, payments of warehouse charges and amounts due on settlements of loading orders, issuance and control of loading orders for the disposition and reconcentration of commodities, handling of bills of lading, payment of freight bills, and negotiations, payments and billings in connection with the purchases and sales of the commodities. These inventory management activities and the related accounting activities comprise approximately 70 percent of the total workload of these offices. Tables 1 and 2 attached reflect the estimated volume of program operations for the fiscal year 1955 and the volume in terms of man-year requirements for the CSS commodity office operations. In converting the workload into man-year requirements for these offices, the same productivity rates were applied that were used in determining current fund allocations for these offices. It should also be noted that these productivity rates are approximately 24 percent higher than the rates used in the budget estimates for the fiscal year 1955 and approximately 7 percent higher than the rates actually attained during the fiscal year 1954.

The CSS commodity office increase also includes funds for changes in warehouse examination responsibilities. Because of the increased program volume and the

tremendous quantity of grain inventories accumulated during the fiscal years 1953 and 1954, it became necessary this fiscal year to strengthen and improve the grain warehouse examinations conducted by the Corporation. Prior to this fiscal year, responsibility for grain warehouse examination has been performed in part by the State and county offices and in part by the CSS commodity offices. Generally, in the past, CSS commodity office employees have examined the terminal and subterminal warehouses and county office employees have examined the country warehouses. It is now contemplated that responsibility for examination of all warehouses other than CCC-owned bins will be placed in the CSS commodity offices. This will increase the workload of the CSS commodity offices by approximately 8,000 warehouses and the expenses by \$442,000. This additional workload and greater efficiency is reflected in line item 03 of the attached table 2. This latter amount would be largely offset by lower CCC costs at the county level which are paid from capital rather than administrative funds.

With the tremendous increase in CCC grain inventories, only the most coordinated and straight-line authority for warehouse examination work will adequately protect the interests of Government in the grain it owns. The State and county ASC offices have the huge job of administration of price support, acreage control and other programs at the farm level. Since the warehouse examination work, in most cases constitutes only part-time work of county employees not essentially trained in this type of work, it is felt that this function will be more effectively performed by more qualified employees devoting full-time to warehouse examination.

In addition to the greater efficiency which should result by having full-time employees assigned to this function it is believed that a more coordinated and systematic examination will follow since supervision, instructions and procedures will originate in 5 rather than 48 locations. It is believed also that examination of warehouses by other than local employees will not only have a more restraining effect upon warehousemen who might be tempted into wrongdoing, it will also foster improved relationships between the warehousemen and CCC.

The remainder of the increase due to changes in estimates of program volume (\$1,234,555) consists of:

(1) Transfers to Agricultural Marketing Services (\$289,800).

(a) Of this amount, \$185,000 is required to carry out the special school milk program authorized by an amendment to section 201 of the Agricultural Act of 1949, which was passed by the Congress subsequent to the formulation of the 1955 budget, permitting the Corporation to use not to exceed \$50 million of its funds to support dairy prices by providing for increased fluid milk consumption by children in nonprofit schools. In carrying out the assigned responsibilities under the special school milk program the Agricultural Marketing Service will perform the following functions:

1. Distribute funds among the States on the basis of a formula similar to that provided in the National School Lunch Act.

2. Furnish technical and supervisory assistance to the States in the operation of the program.

3. Perform administrative reviews and audit operating records of States and private nonprofit schools.

4. Account for the use of the funds in accordance with established procedures. The special school milk program will be administered through offices already established and to some extent will receive technical and supervisory assistance from staff members presently administering the present school lunch program. Consequently, the cost of administering the special school milk program is relatively low in relation to the cost of administering the present school lunch program, considering the relative size of the two programs.

(b) The balance of \$104,800 is required to perform the additional workload applicable to the distribution of commodities from CCC stocks pursuant to the recent amendment to section 416 of the Agricultural Act of 1949 liberalizing the methods for these donations. During the fiscal year 1954 donations of dairy products amounted to 158,140,764 pounds. For the fiscal year 1955 it is estimated that 626,088,337 pounds of dairy products and 85 million pounds of refined cottonseed oil will be donated.

(2) The Washington divisions will have considerably more auditing, accounting, and inventory management responsibilities as investment in price support mounts. Additional funds (\$727,755) will be required with the major increases occurring in the Fiscal Division, \$193,320; Barter and Stockpiling Division, \$115,764; Grain Division, \$66,557; Audit Division, \$58,318; and Compliance and Investigation Division, \$34,700.



(3) Printing (\$217,000) of forms required in loan purchase, inventory, and accounting operations.

*(b) Increased responsibilities and workload of the State offices*

The increase of \$898,000 for increased responsibilities and workload of the State offices is composed of the following:

(1) An increase of \$710,000 to provide more effective supervision of ASC county committees in the administration of CCC price-support programs

The number of farmer fieldmen and auditors employed in 1954 in the agricultural stabilization and conservation State offices will not be adequate for the increased workload on CCC price-support programs. In 1954 there was an average of only 1 farmer fieldman for slightly over 12 county committees, and in some States, with major program responsibilities, the number of county committees per farmer fieldman ranged from 15 to 21. This estimate would provide a partial correction of the deficiency in supervision of county offices. Additional funds for other programs operating through ASC State offices which are included in the 1956 estimates would lower the average to 10.1 county offices per fieldman. This would still constitute a heavy workload since farmer fieldmen supervise all programs carried out through ASC county offices, and while it does not represent the optimum average it will enable progress to be made toward more efficient economical operations. There was only 1 county auditor for over 27 county committees in 1954 with the average workload in some States ranging from 39 to 60 county committees per auditor. Additional auditors provided under this estimate would reduce the national average to slightly over 25 county committees per auditor. Funds included in the 1956 estimates for other programs operating through ASC State offices would further reduce the average to slightly under 22 county committees per auditor. Since auditors review all programs, the latter coverage will provide an audit program more in line with the overall volume of program operations.

The work under CCC price-support programs in 1954 included activities in about 3,000 counties where price-support programs are offered, work preparatory to the making of about 1.2 million CCC loans on various commodities in about 2,400 counties, negotiating agreements with about 9,000 lending agencies, performing about 1,600,000 reinspections of farm-stored commodities, the acquisition of commodities under loan or purchase agreement in about 450,000 instances and the receipt and recordation of about 170,000 repayments on loans. It is anticipated that the workload will increase considerably in 1955 especially in connection with the reinspection of farm-stored commodities, the repayments on loans and the acquisition of commodities.

These increases in workload are indicated by the increased volume of loans, repayments, etc., of the principal crops for which the county committees handle the price-support work, as shown by the following table:

*Anticipated change in terms of percentages, increase (+), decrease (—) fiscal year 1954-1955*

Commodity	Loans outstanding at beginning of year	New loans made	Repayments	Collateral acquired and write-offs
Corn.....	+37	-31	+63	+28
Wheat.....	+105	-18	+225	-17
Barley.....	+963	+102	+145	+402
Beans.....	-39	-10	+7	-26
Oats.....	+183	+71	+81	+329
Rye.....	(1)	+61	(1)	+310
Sorghums, grain.....	+86	+77	+82	+83
Soybeans.....	-90	+1	-7	+61
Seeds.....	(2)	(2)	(2)	(2)

<sup>1</sup> + over 1,000.

<sup>2</sup> Hay and pasture—none anticipated for 1955. Winter cover crop—none anticipated for 1955.

In addition to an increased volume of work in connection with price support activities in the fiscal year 1955 effective January 1, 1955, responsibility for supervising the liquidation of loan programs handled at the county levels will be placed at the State office level rather than at the commodity office level as heretofore. This will permit the States to check loan records with the countries'



cumulative reports of commodity loan and purchase agreements and determine causes of discrepancies in loan transactions thereby relieving the commodity offices of the necessity of reconciling each individual county's report and calling attention of the county to discrepancies in its records. The increased work in the State offices for this purpose is partially offset by a decrease in the work in the CSS commodity offices which has been given effect in the estimated requirements for those offices for 1955.

(2) An increase of \$188,000 to strengthen supervision and administration of CCC grain storage structure program by State agricultural stabilization and conservation offices in an attempt to overcome existing inadequacies in the operation of the program.

Responsibility for operation and maintenance of the CCC-owned structures is placed on the ASC county committees. The technical assistance available to these counties from the State ASC offices is insufficient and the office of the Deputy Administrator for Production Adjustment is inadequately staffed to provide the necessary overall supervision and direction of the program under procedures initiated by the Grain Division. In view of serious criticisms which have been made of the manner in which this program is operating and the size of the Government stocks of grain in the structures owned by CCC, it is believed essential that more direct technically qualified supervision and direction be provided as quickly as possible. The objective will be to prevent undesirable practices from developing and to correct deficiencies as they occur. This is a step in the direction of carrying out the express objective of the chairman of the Agriculture Subcommittee of the House Committee on Appropriations as indicated in the hearings on the 1955 budget for the CCC, that every effort be made to prevent improper handling of CCC-owned grain stored in bins.

The \$188,000 to strengthen the administration and supervision of the CCC storage structure program will be used chiefly for the employment of grain storage specialists in the 14 States which have over 1,000 storage structures each, in the three areas which have over 15,000 structures each and in the Office of the Deputy Administrator for Production Adjustment.

The grain storage specialists in the State offices will exercise supervision over all phases of the CCC grain storage structure program in the State. They will supervise the erection of structures, the preparation of sites, the maintenance and operation of sites and structures and the inspections, care, and handling of grain, whether these jobs are done by State or county crews or under contract.

Work in connection with the grain storage structure program in the fiscal year 1955 is estimated to involve about 200,000 storage structures on 4,500 sites in 938 counties. The storage structures total capacity will be about 900 million bushels and it is estimated that maximum storage will be about 869 million bushels. Some 480 million bushels will go into storage; about 132 million bushels will go out; 300 million bushels will need fumigation; 71 million bushels will need turning and 57 million bushels will have to be cleaned. This represents a substantial increase in the total workload over 1954.

TABLE 1.—Comparison of the fiscal year 1955 budget estimate of commodity volume with revised estimates for the fiscal year 1955

	All commodities except cotton		Cotton	
	Budget estimate	Revised estimate	Budget estimate	Revised estimate
	<i>Carlots</i>	<i>Carlots</i>	<i>Thousand bales</i>	<i>Thousand bales</i>
I. Loan activity:				
(a) Loans made.....	435,854	524,566	2,030	2,525
(b) Loans repaid.....	200,202	156,131	2,100	3,015
(c) Loans forfeited:				
1. Warehouse stored.....	132,840	187,159	1,300	1,675
2. Farm stored.....	199,258	292,736		
II. Inventory management:				
(a) On hand beginning of fiscal year....	766,279	753,315	136	132
(b) Additions:				
1. Purchases.....	24,137	81,061		
2. Purchase agreement deliveries.....	31,852	69,218		
3. Forfeiture of collateral.....	332,098	479,895	1,300	1,675
4. Exchanges.....	10,000	15,000		
5. Transfers.....	45,000	45,000		
Total, additions.....	443,087	690,174	1,300	1,675
(c) Dispositions:				
1. Sales or donations.....	209,680	403,906	636	327
2. Exchanges.....	10,000	15,000		
3. Transfers.....	45,000	45,000		
Total, dispositions.....	264,680	463,906	636	327
(d) On hand end of fiscal year.....	944,686	979,583	800	1,480
(e) Reconciliations.....	169,000	384,000	629	1,500

## HOUSE ACTION

Chairman HAYDEN. Mr. Morse, we are pleased to hear from you.

Mr. MORSE. Mr. Chairman and gentlemen of the committee, I am glad to have the opportunity to present to you information concerning the request which we have made for an increase in the authorization for CCC administrative expenses from \$18 million as contained in the 1955 Appropriation Act to \$25,290,000. This request, as you know, was approved by the House of Representatives yesterday.

In the hearings before the House committee, I presented a rather full description of the background for the situation that confronts us in carrying out the CCC price-support programs during the remainder of this fiscal year. With your permission, therefore, I shall limit this statement to a brief summary of the pertinent facts.

## REQUEST FOR INCREASE IN BORROWING POWER

This request for authorization to use additional CCC funds for administrative expense purposes is a product of the developments which caused us to come to Congress twice last year, after the budget estimates were submitted, for increases in the borrowing power of the Commodity Credit Corporation. Increases in the volume of price support program activity first have their effect on the amount of capital funds in the form of borrowing power required. Later, the effect is reflected in an increased requirement for administrative expenses as title to commodities is acquired by the Corporation and the

task of managing and disposing of inventories becomes larger. We are now at the point in the course of events where administratively we must handle the work resulting from last year's upsurge in price support extended, along with a continued heavy volume of price support extended.

When we were before the Appropriations Committee early last year with respect to the CCC administrative expense authorization, we stated that we knew it was too low but that we were not in position at that time to estimate the amount of the deficiency. We indicated that in January 1955, we would be in better position to estimate our requirements because by that time crop production would be known, many of the important crops would have been harvested, and the extent of the total workload for the year could be much more closely estimated.

#### PRIOR LIMITATION

The estimates which formed the basis for the \$18 million limitation contained in the 1955 appropriation act were made in the fall of 1953, before the 1954 crops were planted and long before the inventory management problem which would exist at the beginning of the fiscal year 1955 could accurately be estimated.

We believe that our current estimates of workload will prove to be reasonably accurate, particularly with respect to price support extended and the inventory management problem. With respect to disposals, however, our estimates may be either too low or too high. If too low, the estimate before you could be insufficient, and if too high, all of it might not be used.

#### PRESENT DEFICIENCY

When the apportionment of the CCC administrative expense limitation was approved by the Director of the Bureau of the Budget in June, it was on the basis that a deficiency of \$8,150,000 would exist, and Congress was appropriately notified. This deficiency has been reduced to the amount in the current bill, \$7,290,000, as a result of changes in program volume estimates and increases in the efficiency of our field offices.

The major part of the increase requested is to cover the work in the eight large field offices of Commodity Stabilization Service which handle the accounting for loans and inventories and the acquisition, disposition, transportation, warehousing, and management of CCC commodity inventories. This work arises from loans, purchases, reconcentrations, sales, donations, and other operations under the price-support program. The workload cannot be deferred, since most of it represents current business transactions with producers, warehousemen, carriers, processors, banks, handlers, and others involved in commodity operations.

Adequate administrative funds must be available if the nearly \$7 billion investment of the Government in price-support loans and inventories is to be protected and the holdings of the Corporation reduced in an orderly manner.

The basis for the estimates for the CSS commodity offices is the same as that used for several past years, that is, the conversion of program volume estimates to numbers of documents and other work



units based on experienced conversion factors, then conversion of work units to man-months of labor required, based on production standards, and third, conversion of time to cost based on existing salary rates.

#### INCREASE IN EFFICIENCY

The commodity offices have increased their efficiency to the point that the estimates before you would have been 24 percent higher if they had been based on 1953 production rates, as were the estimates in the 1955 budget, and 7 percent higher if they had been based on 1954 production rates.

The proposed supplemental contemplates use of 4,671 man-years of employment on CCC operations in the fiscal year 1955, or 1,374 more than provided by the current authorization of \$18 million. November employment was at a level of approximately 4,300, and it is anticipated that this level will have to rise to approximately 4,950 by June 30, 1955, in order to handle the seasonal bulge in workload in the field offices when 1954 crop loans on wheat and other small grains mature and the Corporation acquires hundreds of millions of bushels of grain. Disposal activity will also be heaviest in the latter part of the fiscal year.

It is estimated that obligation authority under the present limitation will be exhausted by March 30, and to avoid the disruption that would unavoidably result from such a development we requested that this item be treated as an urgent one.

I would be glad to answer questions.

Chairman HAYDEN. Senator Ellender, as the new chairman of the Senate Committee on Agriculture, do you have any questions?

#### PREVIOUS REQUEST

Senator ELLENDER. How much did you ask last year for this operation?

Mr. MORSE. This is the \$18 million item included in last year's budget, which we haven't requested be changed until now.

Senator ELLENDER. That was the amount you asked for last year?

Mr. MORSE. Yes, sir. That amount was estimated in the fall of 1953, at the time the 1955 budget was being projected.

#### SURPLUS SALES ABROAD

Senator ELLENDER. How much of this money would be necessary to carry on the sale of surpluses abroad?

Mr. BEACH. In our workload computations there is not a breakdown of the sales as distinguished between commercial sales domestically and those abroad. A minor part of the total estimate is involved in the sales abroad because the sales abroad have been a minor part of our total sales.

Senator ELLENDER. Are you asking for this increase because of the added volume of work resulting from the sales abroad?

Mr. BEACH. Not primarily, sir; it is included.

Senator ELLENDER. Incidentally, it is there?

Mr. BEACH. Yes.

Senator ELLENDER. About how much of that is for that purpose?

Mr. BEACH. I cannot give you a realistic estimate of it, because we operate this way: Our total disposition transactions are considered in lump; in other words, the total dispositions are considered as dispositions without regard to whether they are export or domestic dispositions. The workload in the commodity offices is the same, practically. If we sell domestically, we have to handle about the same amount of paperwork that we do if we sell for foreign outlets. There is a slight additional amount of work involved in some of the sales under foreign currency arrangements than there is in others. My offhand guess is that around \$100,000 is involved in that.

Senator ELLENDER. Would you be able to tell us percentagewise how much of this seven million dollars plus will be used for the purpose of selling on the domestic market and the foreign market?

Mr. BEACH. I can insert an approximation in the record, but I cannot give it to you offhand.

(The information referred to follows:)

It is estimated that approximately 18 percent of the additional authorization of \$7,290,000 requested will be required to finance work on domestic and export sales under regular authorities, and approximately 7 percent to finance all work on sales for export under Public Law 480. Of the amount requested to finance work on sales under Public Law 480, approximately \$110,000, or less than one-fourth, represents costs peculiar to such sales.

#### SALES FOR EXPORT

Senator ELLENDER. How has that program been progressing?

Mr. MORSE. We feel very encouraged with our progress.

Senator ELLENDER. How much are you giving away?

Mr. MORSE. There was inserted in this report of the hearing of the Subcommittee on Appropriations of the House of Representatives, a year-end report, which shows the disposal of surplus commodities. I think we have that marked.

Senator ELLENDER. Is the major part of this disposition being made under Public Law 480, title I?

Mr. MORSE. Our sales abroad exceed Public Law 480 sales.

Mr. BEACH. The total sales commitments for export during the period January 1 through November 30, 1954, have amounted to about \$453 million.

Senator ELLENDER. Is that under Public Law 480?

Mr. BEACH. No, sir.

Senator ELLENDER. How much of that is Public Law 480?

Mr. BEACH. None. While several agreements under Public Law 480 have been consummated, we have not yet actually made sales under Public Law 480 up to the end of November.

#### RECEIPTS UNDER PUBLIC LAW 480

Senator ELLENDER. What became of the proceeds of these sales?

Mr. BEACH. The proceeds of commercial sales go right back into the Commodity Credit Corporation capital funds.

Senator ELLENDER. In the form of dollars?

Mr. BEACH. Yes.

Senator ELLENDER. Now, were these sales made locally for export by our own exporters?

Mr. BEACH. Generally, yes, sir, through our own exporters.

Senator ELLENDER. What is the amount of money received or how much money would be received under Public Law 480, for the sales that you contemplate?

Mr. BEACH. Yesterday in the President's message, it was indicated that contracts under negotiation or negotiated under title I of Public Law 480 aggregate \$452.8 million in total commitments.

Senator ELLENDER. For this commitment?

Mr. BEACH. Yes, sir.

Senator ELLENDER. How much of those goods have actually been delivered?

Mr. BEACH. Under Public Law 480, the first purchase authorization was only issued last week; none has actually been delivered.

Senator ELLENDER. This is only in contemplation, then, and in other words, you have not perfected the sale of the \$452 million that the President has mentioned.

Mr. BEACH. Those are contracts in process of negotiation, or that have been completed.

Senator ELLENDER. How much have you actually sold then? And I think we ought to find that out. The President said in his message, as I recall, \$450 some odd million.

Mr. BEACH. What he said, sir, was this: that there are in process, or completed, negotiations with foreign governments that will total an investment value of commodities of \$452.8 million.

Senator ELLENDER. How much have you actually sold?

Mr. BEACH. None have actually moved yet.

Senator ELLENDER. That was all in contemplation?

Mr. BEACH. Yes, sir.

Senator ELLENDER. And it is still all in contemplation?

Mr. BEACH. Yes, but those agreements are now at this stage being firmed up after a considerable period of getting the mechanics worked out, and we believe that that volume of operations will take place. The estimate included in this CCC estimate is \$400 million. We believe that much will take place during the remainder of this fiscal year.

Senator ELLENDER. As I recall the provisions of Public Law 480, these surplus commodities are being sold for the currencies of the country that we are contracting with.

Mr. MORSE. There is broad authority in the act for such sales, and part of the contemplated sales will be made in that manner.

Senator ELLENDER. I understand there is broad authority. What did you do? What does your contract contemplate?

Mr. MORSE. The contracts will vary by countries.

Senator ELLENDER. Start with anyone that is completed; start with one you have completed.

#### AGREEMENT WITH TURKEY

Mr. MORSE. For Turkey, the first agreement under title I was signed with the Government of the Turkish Republic on November 16, 1954. This agreement provided for about 300,000 tons of bread grains and feed grains to Turkey.

Senator ELLENDER. Three hundred thousand tons, is that right?

Mr. MORSE. That is right.

Senator ELLENDER. How much money does that involve?



Mr. MORSE. About \$30 million in CCC costs.

Senator ELLENDER. How will Turkey pay for that commodity?

Mr. MORSE. This report does not give that figure exactly.

Senator ELLENDER. Who negotiated the contract?

Mr. BEACH. The payment will be made in Turkish liras, half of which will be used in meeting United States expenses in that country and the remainder as loans for furthering Turkish development. This is quoting from the President's report.

Senator ELLENDER. That is, half of the \$30 million would be used to pay obligations that we incur in Turkey?

Mr. BEACH. Yes; United States expenses in that country.

Senator ELLENDER. Such as, do you know?

Mr. BEACH. I don't have an itemization of those.

Senator ELLENDER. Is it named in the contract?

Mr. BEACH. I have not seen the contract, sir, and I cannot give you the details as to what is in the contract.

Senator ELLENDER. Who handles it in the Commodity Credit Corporation? Have you anybody present who did it?

Mr. RICHARDS. I think it represents mostly military expenses.

Senator ELLENDER. How much of the entire amount will be utilized for paying out own expenses? Is it limited to the 50 percent or will Turkey have 50 percent for its own use?

Mr. MORSE. The President in his statement shows an example of the use to which local currencies generated by the various country agreements are put, pursuant to the act, by including the breakdown on the Japanese program.

It varies by countries, and the use of these foreign currency funds which are acquired is at the disposition of the President under authority provided in the act. It may not be fully determined at the time of the negotiations, and they are on deposit for future use.

Senator ELLENDER. As a matter of fact, this \$30 million can be used, if the President sees fit, for rehabilitation in Turkey, is that right?

Mr. MORSE. That is, technical assistance but in this program as we said before 50 percent is for United States use.

#### CREATION OF COUNTERPART FUNDS

Senator ELLENDER. The reason I am asking these questions is that I recently returned from an extended tour abroad, and our FOA people are cooking up a lot of schemes, whereby the proceeds from the sales of these commodities that you can dispose of are to form another little kitty to keep them in the business.

Now, are you acquainted with any of that?

Mr. MORSE. I have not the firsthand knowledge that you apparently have acquired.

Senator ELLENDER. Well, I do have that knowledge. I have talked to them and they are there just waiting in order to create more counterpart funds, so as to show a necessity for keeping FOA in being beyond June 30 of this year.

Now, you saw that, although the contract that has been signed provides for \$30 million, or half to be spent to pay expenses of our own out there, that can be changed at will?

Mr. MORSE. As I understand it, these foreign currency funds which are deposited as a result of these sales then can be used in

various ways, development of new markets, procurement of military equipment, financial purchases for other friendly countries, and so on.

Senator ELLENDER. So that the half of the \$30 million, that is to be loaned under the present agreement to Turkey, may turn out to be a gift if the President or those in authority decide to so do, am I right?

Mr. MORSE. That is a decision that could be made by those in authority.

Senator ELLENDER. Can you give us another illustration of any other contracts like that?

Mr. MORSE. Here is more information on this Turkish agreement. The Turkish liras derived from the purchase of wheat within FOA defense support funds will be used for the Turkish armed forces; those resulting from CCC sales will be divided equally to meet United States obligations and to be loaned for the promotion of Turkish economic development.

Senator ELLENDER. How much of it may be used in order to assist Turkey in paying expenses of its army?

Mr. MORSE. The lira to be received under the agreement under title I of Public Law 480 is divided equally, one-half to meet United States obligations, and one-half for loans to further Turkish development. This latter item refers to FOA defense support funds.

Senator ELLENDER. As I understand, all of these sums are in addition to what may have been made available to Turkey during this fiscal year.

Mr. BEACH. That is correct; this would be in addition.

Senator ELLENDER. Have you any other contract that you have completed?

Mr. BEACH. In the President's message it was pointed out that many of these contracts are in the process of negotiation, and he could not divulge the details of them without prejudicing the negotiations. He did give an example in the case of Japan.

Senator ELLENDER. How do you mean "without prejudicing the negotiations"? Who would be prejudiced?

Mr. MORSE. Until the negotiations are completed, these are usually not widely discussed.

Senator ELLENDER. Is Turkey the only one that you can talk about now?

Mr. BEACH. There is another example.

Senator ELLENDER. Give us another one that you can talk about.

#### NEGOTIATIONS WITH JAPAN

Mr. BEACH. This is one with Japan, that Mr. Morse referred to. The use of local currency as they have it broken down here would be as follows: To develop new markets, \$2 million.

Senator ELLENDER. That would be spent in Japan?

Mr. BEACH. Yes, sir.

Senator ELLENDER. By whom?

Mr. BEACH. By the United States Department of Agriculture.

Senator ELLENDER. For whose use and benefit?

Mr. BEACH. To benefit the United States by development of more procurement of United States agricultural commodities.

Mr. MORSE. The development of new markets would be development at our expense of new markets for farm commodities for our products.

Senator ELLENDER. Would it be used to pay our own people, or to pay Japanese, or how would that be handled?

Mr. MORSE. I suppose it would be used both ways, in the process of promoting or developing new markets in Japan for United States products, whether farm products or commercial products.

Senator ELLENDER. Would any of that be used in order to develop Japan's economy?

Mr. MORSE. I would take it that it would not.

Senator ELLENDER. Solely American?

Mr. MORSE. Yes, sir.

Senator ELLENDER. Would you tell us about the rest?

Mr. BEACH. The total is \$85 million. The major item represents loans for economic development which total \$59½ million, and the next largest item was procurement of military equipment, \$17 million.

Senator ELLENDER. That \$2 million is to be spent by us to develop a market for our own products in Japan?

Mr. MORSE. That is my understanding. The \$17 million would be to meet our own military expenses, military expenses of the United States.

Senator ELLENDER. Because of the presence of our forces there?

Mr. MORSE. I would judge that would be the case, primarily.

#### PURCHASES FOR OTHER COUNTRIES

The next item is to finance the purchases for other friendly countries in the amount of \$5½ million. Now, it is my understanding in that instance that if we were providing other friendly countries with items that could be purchased in Japan, that these yen would be used to pay for purchases.

Senator ELLENDER. For us to give to other countries?

Mr. MORSE. That is right; or the items might be sold to other countries for their currency.

Senator THYE. In order that we may elaborate a little on that, to clarify it, What other countries might be considered?

Mr. MORSE. There are other countries in the Asian area that might be considered.

Senator KNOWLAND. It might be Korea getting some materials in Japan and Thailand, and Formosa, probably, and the Philippines.

Senator ELLENDER. Is it confined to that area?

Mr. MORSE. It might be used elsewhere.

Senator ELLENDER. You could send it to Norway, if you wanted to?

Mr. MORSE. We assume the location would be closer to Japan. That is the reason I say Asia.

Senator THYE. But it is true, however, that if you wanted some heavy industries from Germany, for Korea, or for Japan, or any place in there, you could use those funds to go back into even Europe to pick up whatever you wanted.

I just want to get the record straight.

Mr. MORSE. No, sir; I think these would be purchases of items which Japan could supply to other friendly countries where we wanted to supply them.

Senator ELLENDER. This \$5½ million would be used to buy goods in Japan that could be given by us to other friendly countries?



Mr. MORSE. Given or sold for their currencies.

Senator ELLENDER. Now you have accounted for that much of it.

Mr. MORSE. There is to pay United States obligations abroad an item of \$250,000. Loans for economic development to Japan would amount to \$59½ million; it is by far the largest single item.

For international educational exchange, there is an item of \$750,000.

That makes a total of \$85 million.

Senator ELLENDER. How would this loan be handled? Do you know, have you got the details of how that would be done, and what security would we have, or exactly how would it be done?

Mr. MORSE. That would be merely a government-to-government loan.

Senator ELLENDER. A government loan?

Mr. MORSE. Yes.

Senator ELLENDER. Just to the Japanese Government?

Mr. MORSE. That is my understanding, sir.

Senator ELLENDER. Now, am I correct in saying that of all of the sales in contemplation, and those two you have just mentioned, we are to get nothing in return that can be used in our own country? There is no cash and no dollars? It is just to be spent abroad?

#### MILITARY EQUIPMENT

Mr. MORSE. This procurement of military equipment would be in place of purchases we would otherwise have to make for the area to which Japan is most accessible.

Senator ELLENDER. You mean the \$5½ million worth?

Mr. MORSE. That is the \$17 million for military equipment, which represents money that, as I understand it, we would spend for our military operations, if this transaction was not made.

Senator ELLENDER. That could be used to pay the expense of our own soldiers, as I understand it.

Mr. MORSE. That is the use of that \$17 million; yes, sir. This use would return dollars to CCC.

Senator ELLENDER. Are there any other contracts that you can talk about in detail?

Mr. BEACH. There is no detail of the other contracts in this report, sir.

Senator ELLENDER. May I suggest, Mr. Chairman, that as these contracts are completed that the committee be furnished with a little detail or outline of how much is involved, and how it is expected the money will be spent.

Chairman HAYDEN. It seems to me that that would be proper.

Senator ELLENDER. If any changes are made—as you say the President or somebody else has a right to do that, for instance in this Japanese contract, and the other we have just discussed—if any changes are made in the contract, as to how that money is to be used, I think that the committee should also be notified.

Chairman HAYDEN. There is no reason why we shouldn't be kept informed.

Mr. MORSE. I will be glad to do that, sir.

## PRIOR AUTHORIZATION

Senator YOUNG. I note on the first page of your statement:

this request for authorization to use additional CCC funds for administrative expense purposes is a product of the developments which caused us to come to Congress twice last year.

Did you use any of your last year's authorization for borrowing authority?

Mr. BEACH. We were up to \$7,545,000,000, as of November 30, 1954.

Senator YOUNG. Your last authorization was from \$8½ billion to \$10 billion?

Mr. BEACH. We anticipate at the peak use this year, and we haven't reached the peak and won't until February, that we probably will be between 8 and 8½ billion dollars. The drought cut down the amount of the required use of borrowing power, particularly when it cut the corn crop, and our loan volume on corn now is estimated considerably less than it was when we were up here last year.

Senator YOUNG. You never used the last authorization you received last year?

Mr. BEACH. The figure I gave you of \$7½ billion is our alltime peak to November 30.

Mr. MORSE. May I supplement that, too? It bears on a question Senator Ellender asked.

The development of the movement of these products into use has been more than we anticipated earlier, even though products have not actually yet moved under this additional authority that has been received. Our efforts to stimulate sales and get these commodities moved into use, has resulted in more dispositions than anticipated, which is helping hold down the volume.

## OTHER USE OF FUNDS

Senator YOUNG. I raised a question at the time you got that additional authority, believing you didn't need it. It appears that I was right. You have some authorization to use CCC funds for other purposes, for example, for control of foot-and-mouth disease, in Mexico. During the last year, you used some of these funds for other purposes. Do you have a list of those?

Mr. BEACH. That is not a use of administrative funds. Those transfers come out of the capital funds of the Corporation, and they are not included in this limitation. We have authority to advance funds to the Agricultural Research Service for eradication of foot-and-mouth disease and also brucellosis, under the appropriation act, but it is not against this limitation.

Senator YOUNG. I think you stretch your authority there, but we will go into that some other time. May I ask one other question, and then I will be through. Who handles these negotiations for contracts to dispose of agricultural commodities for the Department of Agriculture? Who handles it for the United States Government—is it FOA?

## DEPARTMENTAL PARTICIPATION

Mr. MORSE. The President delegated the authority to the State Department to negotiate the agreements. After an agreement is

made under title I, the authority is delegated to the Agriculture Department to carry out the sales.

Under title 2, with respect to the \$300 million which was made available to FOA, of course, that is handled by FOA.

There is an interagency committee to which the President refers in his report, which brings together officials of the Departments of Commerce, Treasury, State, and Agriculture, the FOA and the Bureau of the Budget to handle matters which involve monetary exchange and other problems that have to be worked out between the departments.

Senator YOUNG. These contracts that you were discussing with Senator Ellender a moment ago, Who handled those for the Agriculture Department? Did you have anyone in the Department of Agriculture working with the State Department on that?

Mr. MORSE. Yes; we have a staff working committee, to which the President also referred, which is headed up by Mr. Lodwick, who is the head of our Foreign Agricultural Service. That is where the primary work is done on working out what commodities will be within these transactions, under the authority which is granted in title 1 of Public Law 480.

Senator Young. I think some good progress has been made in disposing of agricultural surpluses under this program. That is all.

#### POWDERED MILK DISPOSAL

Senator THYE. The question that I wanted to get some information on is how much has it cost us to finance the disposal of powdered milk to the feeds processor and mixer. How much has it cost the Commodity Credit Corporation? And how many pounds or in tons have you moved of the powdered milk?

Mr. BERGER. Five hundred and seventy-three million pounds have been moved or sold under that program.

Senator THYE. What percent did that constitute of your holdings of powder milk last year?

Mr. BERGER. Our holdings at the present time are now well below 100 million pounds.

Senator THYE. Let me frame the question a little better. What percent of your disposal program on powdered milk went into the commercial feed mix? Some would go to edible foods. That is the question I would like to get cleared up.

Mr. BEACH. I can give you these figures. As of January 5, we had on hand a total of 94,608,000 pounds of dried milk. We had at the peak, during the past year, 656 million pounds of dried milk.

Mr. MORSE. We are coming up to the peak acquisition now.

Senator THYE. You have not reached your peak, and you will not get your peak until a few months from now?

Mr. MORSE. We are moving into the peak situation now.

Senator THYE. It will be a few months now before you get into your peak.

Mr. BEACH. For animal feed, we have disposed of 578,579,000 pounds from January 1, 1954, through November 30, 1954, and we disposed of, for human use, 3,796,000 pounds.

In other words, there was a total disposal of approximately 582 million pounds, of which 578 million was for animal feed.



Senator THYE. Five hundred and seventy-eight million was animal feed?

Mr. BEACH. Yes.

Senator THYE. At a cost to the Commodity Credit, and the difference of what actually was advanced on that powder milk and that which you disposed of afterward, and that was a total of how many millions?

Mr. BERGER. Five hundred and seventy-eight million pounds.

Senator THYE. But what is your dollars-and-cents loss on that transaction?

Mr. BEACH. Sir, I do not have it for that particular period, but we had about 17-cents-a-pound investment in the milk——

Mr. BERGER. And it was sold for 3½ cents on this side of the Rocky Mountains and 4 cents on the other side, and in addition you have a variable cost of delivery.

Mr. MORSE. That would be about 13 cents times the quantity sold.

Senator THYE. That which was sold for edible usage commanded what price?

Mr. RICHARDS. Senator, most of our disposals of dried skim milk have been at "fire-sale" prices. In the past 3 years commercial sales for export, for example, amounted to only about 2 million pounds; what we call noncommercial sales in the past 3 years amounted to 245 million pounds. The biggest recipient was the Children's Fund of the United Nations. Those sales were for 1 cent a pound.

Senator THYE. Was there any of it given free to any of the international relief organizations?

Mr. RICHARDS. To CARE, and other organizations, something like 265 million pounds was given away under donation authority.

Senator THYE. And are there applications or requests for additional powdered milk to go to that?

Mr. RICHARDS. Yes, sir.

Senator THYE. I had a letter across my desk just recently, where a nurse working in Formosa was asking why the Formosan Government could not have for its relief needs some of the powdered milk from the United States.

You don't deal except through some international organization such as CARE, and so on?

Mr. RICHARDS. That is right.

Mr. MORSE. Under the enactments of last year, FOA has not only the \$300 million under Public Law 480 authority, but another \$350 million, and those requests can be considered.

Senator THYE. That is all of the questions I have.

#### FURTHER DISCUSSION OF TURKISH AGREEMENT

Senator DIRKSEN. Mr. Morse, recurring for a moment to some of the questions asked by Senator Ellender, in this Turkish agreement which was negotiated in November of last year, I presume all of this is done under title 1 of the so-called Agricultural Development and Assistance Act, is that right?

Mr. MORSE. That is my understanding, sir.

Senator DIRKSEN. Now then \$700 million was made available under that act, and my understanding is that you are earmarking about 65 percent of that whole fund for your operations in 1955?

Mr. MORSE. That is the case, as the President reported; there would be about \$453 million involved in the transactions now being negotiated.

Senator DIRKSEN. And now your purchase account is credited out of the money made available under that act, for any grains that you may sell, to a foreign government. You have so much invested in 300,000 tons of bread grains and feed grains, that you sold to Turkey?

Mr. MORSE. Yes, sir.

#### REIMBURSEMENT

Senator DIRKSEN. Now, whatever you have invested, you just reimburse your own commodity credit account with the money taken out of the appropriation under the assistance act, is that correct?

Mr. BEACH. No, sir. The sale is made under the contract transferring commodities in exchange for foreign currency. The Commodity Credit Corporation is reimbursed in terms of the foreign currency held by the Treasury.

Senator DIRKSEN. Your account is not reimbursed in dollars?

Mr. BEACH. Not until another Government agency utilizes the foreign currency and reimburses the Commodity Credit Corporation for the currency that belonged to CCC.

The difference between the amount of the sale and the amount that CCC gets back from other Government agencies, which used the currency, is later subject to an appropriation by the Congress to reimburse CCC.

Senator DIRKSEN. So there may be an additional deficit there that has to be repaired by a further appropriation at a future date?

Mr. BEACH. Yes, sir.

Senator DIRKSEN. So there is no——

Mr. BEACH. \$700 million is the limit on the amount which can be reimbursed, and it is not the limit on the total amount of the sales.

Senator DIRKSEN. When you get all through with these other agencies, actually you will only have \$20 million to put back into that account, and you will have to have an appropriation of \$10 million. We will not know what that story is for quite some time.

Mr. BEACH. That is right. And the \$700 million is a limit on the amount that CCC may ask for in the way of reimbursement.

Senator DIRKSEN. Now, you sold to Turkey 300,000 tons of grains, for Turkish lira, and what was the price, or what is the bargaining price? Do you try to come as close as you can to the amount of money that you have invested? Or what did you actually do?

Mr. MORSE. That is in the terms of our investment in those commodities.

Mr. RICHARDS. We sell the grain for this Turkish agreement through the private trade, and we sell it at the going price for export, the same as any other export sale. However, the sales in this instance are made by CCC to grain firms in the United States, and then they make the deal with Turkey, and the foreign currency flows back to us.

Senator DIRKSEN. Actually this was a private sale to Turkey through somebody who gave it through the Treasury.

Mr. RICHARDS. We don't actually sell the wheat itself, but under the arrangements, we eventually get the foreign currency and the trade gets the dollars in payment for the grain supplied.

## UTILIZATION OF RECEIPTS

Senator DIRKSEN. In response to Senator Ellender's question, 50 percent of what you got, whatever it will be, finally, was earmarked then for expenses that are incurred by our people abroad, in Turkey. We could buy a new site for an embassy in Ankara, or a new consul in Constantinople, or we can pay FOA personnel, or pay our military advisers, or anything you want to do with that money.

Mr. MORSE. We could pay travel expenses of any of our people that may be traveling there, and so on.

Senator DIRKSEN. How is that account handled so far as those other agencies are concerned? Suppose \$5 million or its equivalent in this money is made available to the Department of Defense, to pay the expenses of their people over there. Is it a transfer or is there a credit? I am trying to see, first, whether some agencies are having their appropriations augmented by very interesting devices here.

Mr. MORSE. We would be reimbursed out of their appropriations. We would not be paying out of CCC for military or travel expenses or these other items that you have referred to, sir.

Senator DIRKSEN. Now, the other half; did you want to add something to that?

Mr. BEACH. The actual mechanics are that the other agencies buy our foreign currency with their appropriated funds and pay the Treasury for it.

Mr. RICHARDS. The Treasury holds these lira for us.

Senator DIRKSEN. And it makes a very interesting financial pattern and quite complicated, I think.

Mr. MORSE. We have to get the cooperation of the people in the Treasury, because with the problems of convertibility and all of the other exchange problems that you men know about, we really need the help of the Treasury Department.

Senator DIRKSEN. Now, the other 50 percent that we get from this sale is deposited for us in Turkey, probably under our supervision, for projects, technical cooperation, and so forth; is that correct?

Mr. MORSE. Yes, as a loan.

Senator DIRKSEN. So if they want to build some roads out of Istanbul, for instance, this money would be available; or if they want to build some country schools away off in the eastern part, those two very controversial provinces, this money could be used for that. It can be used for that; is that not correct?

Mr. BEACH. It is my understanding that the FOA will decide whether or not to approve the use of that foreign currency for those projects.

Senator DIRKSEN. In effect, then, that really amounts to a grant of one half of whatever the sale is, said grant to be expended under the supervision of FOA, so if FOA says you can use it to build a bathhouse in Istanbul or a school, or you can build a chunk of highway somewhere, really FOA funds have been augmented by that amount, because whether we give it to them, and they, in turn, take it over to Turkey and spend it, or whether you turn it over to them, is one and the same thing.

Mr. MORSE. That authority, I believe lies with the President.



Senator DIRKSEN. That is not quite the point, Mr. Morse. The point is that I am just trying to get clearly in mind whether we have been making available to FOA, not directly, but indirectly, funds in substantial addition to the money that was carried in the appropriations for Foreign Operations Administration.

Now, is this pattern to be carried out in other countries? For instance, you sold 425,000 tons—

Senator MUNDT. Do they get that money back from FOA?

#### SALES TO YUGOSLAVIA

Senator DIRKSEN. We will get to that.

You sold 425,000 tons of grain to Yugoslavia, is that correct?

Mr. BERGER. It is correct that we are in process of selling that quantity.

Senator DIRKSEN. Is the pattern with Yugoslavia identical with that of Turkey; in other words, we will get back half, and half of it stays over there for Tito to use under our supervision, for building roads up in the mountains, or buying some equipment, or doing whatever we think he might well do with the money?

Mr. RICHARDS. Senator Dirksen, you have already indicated the complexities of this thing. In addition, you may recall that in the FOA appropriation \$350 million of the funds are earmarked also for this type of assistance.

Senator DIRKSEN. We are not talking about that; we are talking about \$700 million in there, Public Law 480.

Mr. RICHARDS. As I recall it, part of this Yugoslavia deal is under FOA funds and part under Public Law 480, authority and I cannot tell you just which is which.

Senator DIRKSEN. That would not make any difference. I am trying to find out whether it is out of 480, or Public Law 615, or any other act. How much we get back from the sale and how much is left over there in the form of a grant and who administers the grant, that is what I want to find out.

Mr. RICHARDS. It is primarily military aid in the case of Yugoslavia.

Senator DIRKSEN. But it could be a grant or partially a grant?

Mr. RICHARDS. I think that that is about what it amounts to.

#### HOUSE REPORT

Senator DIRKSEN. Mr. Morse, what I am getting to, and I don't want to belabor this, Mr. Chairman, but doubtless you have seen the House report, and they write on page 1, and they are speaking now about a majority of the members of the committee over there on appropriations who heard your testimony:

They believe that this difficulty is due to the failure of the Corporation to discharge its responsibility under its charter to sell its commodities competitively in world markets. Testimony before the committee shows that none of the large stocks of cotton, cheese, corn, rice, seeds, naval stores, tobacco, and wool have been or are being offered for sale on a competitive basis, despite basic authority in law to do so.

Now, if that is not correct, I would not let that stand, if I were sitting over on your side of the table. That can be considered as something of an impeachment of your operations unless you have got an answer for it, and I am just trying to find out what the answer is.

## SALES UNDER INTERNATIONAL WHEAT AGREEMENT

Mr. MORSE. I believe, sir, that the reading of the total hearing will develop the answer. I would like to further state here that the largest single item that we own is wheat.

As the committee well knows, and the Senate well understands, under the International Wheat Agreement, we are selling wheat at a subsidized price, and outside of the wheat agreements we are meeting world markets by selling wheat competitively. That is being done right along. Corn is not much of an export item, and that is an item on that list.

When you take our holdings of wheat and corn and add to it the commodities which CCC holds which are being sold competitively, it leaves a total for the group that is named, of \$661 million against an inventory of \$3,779 million.

One item named is naval stores. Because of the drought supplies of naval stores are quite low, the market is about at the support price, and we might run the risk of domestic shortages if we were trying to push naval stores out into export.

Also, I would like to call the attention of the committee to the fact that in the case of cottonseed oil, for instance, we had reached a peak inventory of 1 billion and 35 million pounds, but primarily through export sales, our present inventory as of January 5 is down to about 314 million pounds. That is about a third of the peak amount.

We are aggressively making efforts to sell, and we have had success in selling. Furthermore, may I call the committee's attention to the fact that this Public Law 480 authority is used in a way which will not disturb regular marketings. After we have gone as far as we can in moving these products to market and if it then appears there can be disposal in a constructive way to help in our own development of future markets, military uses and technical assistance, and so on, then we utilize the authority under Public Law 480.

## CLARIFICATION OF HOUSE REPORT

Senator DIRKSEN. May I make this suggestion? I do believe because of the tremendous interest in this matter that Mr. Morse ought to submit perhaps a 1-page memorandum that is responsive to this item in the House report.

I would not care to let that stand. If that is not a correct estimate, I think that should be done. And do it in ordinary language so that we have a pretty clear picture of what you are doing in the competitive field and in this assistance field.

I do not want to fool anybody on this. If half of this is grant and it is turned over for administration to FOA, or to the Department of Defense, I just want to know what additions these are getting. That is just like providing them the money.

You say, "All right, money comes from another source," but you are going to manage the money and the supplies over there.

This gives point to what Senator Ellender said, that actually without the knowledge of Congress you could be building up a fund that is going to require a good many people in all countries where foreign aid goes on to continue this long after that agency may have been liquidated.

Senator ELLENDER. As I pointed out, I came across at least a dozen countries in which I obtained from our FOA representatives, information to the effect that they expected to get money from that source in order to keep themselves in the picture.

Senator DIRKSEN. I would just like to know.

Senator ELLENDER. Certainly.

Senator DIRKSEN. Mr. Chairman, if you are amenable to that suggestion—

Chairman HAYDEN. I think we would be glad to have Mr. Morse do that.

Mr. MORSE. We will do that, and I would call attention to this report which gives on page 98, at the end of 1954, this greater utilization of surplus foods will give you the donations domestically and abroad. That bears on this, and we would be very happy to provide the other, and we would be very happy to sit down with congressional committees and explore this whole thing. It is a new program. We are getting started in it and we would like to discuss it with the appropriate committee of the Senate.

(The statement referred to follows:)

#### EXPORT SALES AT COMPETITIVE WORLD PRICES

The Department is keenly aware of the effect large Government stocks can have on the domestic market and of the need for effective action to dispose of these surpluses in an orderly manner.

We also recognize that exports are an important outlet for our agricultural commodities and that a policy of encouraging exports should be followed. In line with this policy, we now are offering a large number of commodities now in inventory for export on a competitive bid basis.

At the same time we must recognize that use of our authority to reduce prices for export sales must be resolved on a commodity-by-commodity basis in which major consideration is given to the effect of such action on farmers and the farm program.

There are many factors that must be considered in determining whether such reduced sales prices have advantages to farmers and the farm program. For example, we must consider the cost to the whole farm program, the effects upon other farm commodities, the extent to which exports will be increased, the genuine longtime benefits—if any—to the commodity, the world commercial demand for the commodity, and the likelihood that other exporting countries may match or shade any price we may establish.

It might be injurious to the interests of farmers to adopt a blanket policy under which all our stocks not required for reserve purposes would be offered for export sales at world price levels. We must constantly consider whether such action would greatly weaken world commodity markets and whether other producing countries would have no alternative except to lower prices still further. If buying countries delayed purchases as long as possible, with repercussions on our regular commercial sales, we might have no alternative except to follow prices down.

As pointed out in the committee report, at present the Department is not offering for export sale on a competitive bid basis its stocks of these commodities: Cotton, naval stores, tobacco, cheese, corn, rice, seeds, and wool. The reasons why we are not doing this are as follows:

#### COTTON

The Commodity Credit Corporation has in its inventory approximately 1.8 million bales of cotton.

The Department's policy has been to not sell its inventory stocks in competition with producer cotton during the heavy marketing season since whenever the available supply of producer's cotton exceeds the demand the surplus will go into the price-support program. At present CCC has loans on approximately 7 million bales of cotton in which the individual producer still has an equity. A policy of offering cotton for sale on a basis competitive with world prices would result in all export sales of cotton first moving through the loan program into



the stocks of the Corporation and back out to the trade rather than through normal trade channels. Such a program would result in materially larger administrative costs to the Corporation and in our opinion find little, if any, support from any segment of the cotton trade, including the cotton producer. It also would tend to depress the world price, widening the spread between domestic and world prices and increase CCC's losses, because we export such a high percentage of cotton sold in world trade. In the 1953-54 marketing year cotton exports totaled 3.2 million bales. The estimate for the 1954-55 marketing year is 4.5 million bales.

#### NAVAL STORES

Commodity Credit Corporation stocks of rosin and turpentine represent the bulk of these commodities available both in the United States and abroad. CCC turpentine stocks represent less than 1 month's supply and its rosin is equal approximately to 3 months' supply. There is no surplus in naval stores.

CCC is offering its turpentine and rosin available for sale at stated weekly prices in line with market prices. In view of the domestic and foreign short supply position, which has been gradually building up for the past year as evidenced by an increase in rosin exports of 27 percent in the 1954 crop year, there would be no justification in pricing export shipments at less than prices for domestic sales.

#### TOBACCO

The small lot in CCC inventory is cigar-type tobacco of qualities normally used domestically for chewing tobacco and is available for sale on a list-price basis by the grower cooperative association along with other tobaccos still pledged for loan by these associations. Practically all tobacco under price support still is under loan through grower cooperative associations which receive, pack, store, and sell the loan tobacco. These tobacco grower organizations, as well as the industry, have consistently opposed the sale of loan stocks at reduced prices except into new markets. Tobacco pledged for loan may not be redeemed. Instead, the associations apply all proceeds of sales to reduce the indebtedness to CCC until the loan is fully repaid or the tobacco is all sold. The associations offer the tobacco on a catalog list-price basis, and the sales price is the same without regard to whether the tobacco is to be used domestically or exported.

#### CHEESE

Our current inventory consists of Cheddar cheese. World trade in Cheddar cheese is limited almost entirely to imports by the United Kingdom, which generally buys on the basis of long-time contracts from Commonwealth countries. CCC has offered Cheddar cheese for export sale at 25.5 cents per pound for grade A and 24.5 cents per pound for grade B, since May 1954. These prices were established at levels in line with world market prices. Despite the fact that these prices are close to 10 cents a pound below domestic prices, we have sold only a very small quantity. We have recently offered limited quantities of butter on a competitive bid basis and intend to utilize our experience under these butter operations in connection with future disposals of cheese and other dairy products.

#### WOOL

CCC stocks of wool have never been offered on a competitive bid basis for export. For many years, the United States has imported from 2 to 3 times more wool than has been produced in this country. Wool imports are subject to a fairly high duty, and domestic prices of wool are usually substantially higher than prices in foreign markets. Under such conditions sales of CCC wool can be made much more advantageously in the domestic market to replace imports than they can be made in foreign markets. Under the provisions of the National Wool Act of 1954, an incentive program for expanding wool production was recently announced. This program provides for price support at 106 percent of parity with payments being made to producers for the amount by which average prices of wool falls below the support level. Thus after CCC takes over defaulted loans under 1954 wool program, no more wool will be acquired by CCC. The Secretary announced on October 12, 1954, that through May 1955 no CCC stocks of wool would be sold for less than 103 percent of the 1954 loan rate plus sales commission. This was done to protect farmers in selling the balance of the 1954 wool clip at prices at or above 1954 loan rates. At the same time the Secretary also announced that after May 1955, CCC would proceed in an orderly manner to liquidate its wool holdings over a 2-year period.

## CORN

The United States has never been a large seller of corn for export. It is probable that the United States will export a normal quantity without CCC selling its corn at less than the market price. Last summer CCC had a 15-cent per bushel export subsidy on corn. Sales under that program were small. The subsidy on corn exports was suspended at the beginning of the heavy marketing season for corn because it was felt that CCC sales for export at reduced prices should not be made at a time when farmers were making large sales of corn. Sales are now made at the market price. Because corn is widely used for feed in the United States, feeders might object if CCC corn were sold for export at substantially less than it is available to them.

## RICE

CCC rice inventories are small relative to the total carryover, but loans are at record levels, in excess of 15 million hundred-pound bags. Rice producers have repeatedly requested that CCC not offer rice for export because of the large 1954 crop which caused the domestic price to be below support and because CCC sales for export would interfere with commercial export sales.

## SEEDS

CCC stocks of seed have been reduced sharply in the past year. Some of the seeds were sold for export on a competitive bid basis. There is no current support program for seeds. In view of the 1954 drought and other factors increasing domestic seed requirements, it is expected that most of the remaining stocks can be moved in domestic channels.

In addition to the above comments on the commodities mentioned in the House committee report, the following information is pertinent in the case of wheat, tung oil, and cotton linters:

## WHEAT

CCC has sold substantial quantities of wheat, about 130 million bushels from July 1954 through December 1954, from all three coasts under both IWA and non-IWA. Additional quantities are under negotiation under Public Law 480 and will move in the immediate future. Wheat sales are made at the market price less the IWA subsidy in effect at the time of sales. This gives exporters an opportunity to compete at world prices. Such sales, because of the futures market, do not lend themselves to competitive bids.

## TUNG OIL

The United States usually imports substantial quantities of tung oil, and large foreign supplies of this oil are available. Sales of tung oil by CCC for export would simply result in United States tung oil replacing foreign tung oil in normal foreign markets, which in turn probably would result in larger imports of tung oil into the United States.

## COTTON LINTERS

CCC has not offered its stocks of cotton linters for export sale primarily because such sales would interfere with commercial export sales of linters or products made therefrom. So long as the present cottonseed price support is in effect, any export sales of linters by CCC would result in an equivalent quantity of linters being acquired by CCC under the support program. In its current support program, CCC has attempted to value linters at a level low enough so that little, if any, linters would be acquired by CCC, but no sales are currently being made from CCC stocks.

## PAY OF EXPORTERS

Senator ELLENDER. How are the exporters paid for handling this grain under Public Law 480?

Mr. BEACH. They get paid through regular commercial letters of credit.

Senator ELLENDER. Do they get dollars?

Mr. BEACH. Yes; they get dollars in exchange for the commodities they supply. In effect, when this letter of credit is drawn upon, it provides foreign-currency funds to the Treasury.

Senator ELLENDER. The bank gets it from the country who bills it, and they can easily get that, but they cannot get enough to pay for what they buy from us.

#### PURCHASES OF STRATEGIC MATERIALS

Senator HOLLAND. I have a question I would like to ask you. One of the fields for the use of this foreign currency that was specifically approved in Public Law 480 was the purchase of strategic materials. In the case of Turkey, of course, chromium was highly needed material.

Is there any part of the fund in the Turkish agreement allotted for the purchase of chromium or any other strategic material?

Mr. MORSE. That would be handled under a separate barter authority, Senator, as expanded under Public Law 480.

Senator HOLLAND. The 480 law permits the handling of it in either way.

Now, someone here in your staff says that some of it was used. Would you state for the record just what was used for the purchase of chromium or any other strategic material?

Mr. RICHARDS. I think it was all chrome ore and it was a barter transaction for wheat. As I recall it, the figure is 100,000 tons of wheat, but I would like to check that.

Senator HOLLAND. One hundred thousand tons of wheat was used in the barter transaction?

Mr. RICHARDS. Yes; in addition to this \$30 million under title I.

Senator HOLLAND. But it comes in the total of the Turkish agreement?

Mr. RICHARDS. Yes.

Senator HOLLAND. I wish, Mr. Chairman, that for the purpose of having the record clear on this, that we ask that the record be supplemented to show just what was the transaction for the acquisition of strategic materials in the Turkish arrangement, just to illustrate how the act can be used in that field.

Chairman HAYDEN. We will put that in the record.

Mr. MORSE. We will be happy to supply it.

(The information referred to appears on pp. 32.)

Senator HOLLAND. Now, perhaps I misunderstood Mr. Morse, but he said that much of the cottonseed meal was used in the foreign program. Is that correct?

Mr. MORSE. Cottonseed oil.

Senator HOLLAND. You did not say "cottonseed meal"?

Mr. MORSE. No, sir.

Senator HOLLAND. That was used almost entirely in the drought-relief program.

Mr. MORSE. That is right; yes, sir.

#### FUNCTION OF PRIVATE TRADERS

Senator HOLLAND. Now, I have one more question. In connection with the utilization of private traders, would you supply for the record one illustration of how the private trader functions in connec-



tion with the purchase of surplus commodities from the CCC, then the sale, and then the following of the foreign currency which was acquired by that foreign trade? Would you supply a typical case so that we can see just how that private trade is utilized?

Mr. MORSE. Yes, sir; we would be very happy to.

Senator HAYDEN. Would you give one specific instance?

Mr. MORSE. We will take a typical example of just how the foreign trader fits into it.

Senator HOLLAND. Do you not think that would illuminate this record, to have that information?

Chairman HAYDEN. I do.

#### UTILIZATION OF FOREIGN CURRENCIES

Senator HOLLAND. One more thing, Mr. Chairman. It has not been my understanding, as one of those interested in Public Law 480, that the law permitted the utilization of any part of this foreign currency in objectives such as FOA, and other similar grants-in-aid and relief organizations, except by charging them to the regular appropriations made by the Congress for those agencies.

Now, if that is not the case, I think this record ought to very clearly show that, because that was, I am sure, the intention of the Agricultural Committee, not to augment, by indirection, the appropriation that went to these other agencies, but instead to permit the use of portions of this foreign currency in these other authorized programs, but with the requirement that they be duly charged against the appropriations of these other agencies.

Now, Mr. Morse can clear up that question for us.

Mr. MORSE. We will be glad to.

#### USE OF WAIVER AUTHORITY

Chairman HAYDEN. The clerk has directed my attention to the proviso that the President is authorized to waive such applicability of section 1415 in any case where he determines that it would be inappropriate or inconsistent with the purpose of this title.

For that reason, I think, it would be highly proper if we direct the clerk of the committee to make inquiry as to how many cases that waiver has been exercised. Otherwise, it is whether actually money derived from this source is reimbursed from the appropriation made to other agencies.

Senator HOLLAND. That was the intention of the committee, Mr. Chairman, that, in the normal operation, reimbursement be made. In other words, it was that the operation be charged against the specific appropriation, granted by Congress for the use of this other agency.

Chairman HAYDEN. We will have to find out how often this waiver authority was used. I will ask Mr. Cooper to do that.

Senator HOLLAND. I will ask the chairman to request that that information be furnished.

Chairman HAYDEN. That will be done.

(The information referred to follows:)

The Bureau of the Budget has advised that no foreign currencies as yet have been generated as a result of Public Law 480, 83d Congress.

## COTTON AND COTTONSEED OIL SALES

Senator STENNIS. Mr. Morse, you mentioned the cottonseed oil moving. Now, which program did that move under? Was that Public Law 480?

Mr. MORSE. That was sold under the authority of the charter of the Commodity Credit Corporation and the Agricultural Act of 1948 as amended.

Senator STENNIS. It was your regular transaction?

Mr. MORSE. Regular selling; yes, sir.

Senator STENNIS. That sounds very good indeed to me.

Do you have something now on cotton that you have there? Do you have the figures available?

Mr. MORSE. The cotton sales are handled by the trade, and we expect to get a very substantial increase in exports this year.

Senator STENNIS. Could you give that figure? It would fit right into this picture. And you do challenge, then, on the question of Senator Dirksen, you do challenge this statement here in the House report?

Mr. MORSE. I would not want to be in the position of challenging it.

Senator STENNIS. You think that you have the facts and figures that will reflect the other side of that question?

Mr. MORSE. I would like it to be considered in the light of the total record that was made in the House hearings as well as our discussion here.

Senator STENNIS. If you could refer us to the specific part of the record, that is what I was coming to, that would reflect on that same point.

Do you have some particular part of it?

Mr. MORSE. I made a statement earlier this morning dealing with some of these commodities, and I do not think you were here at the time.

Senator STENNIS. I think that you referred to page 98.

Mr. MORSE. These situations vary, as I pointed out previously, commodity by commodity.

## PEANUT-SUPPORT OPERATION

An earlier reference was made to the peanut situation. We have been having quite a small peanut-support operation this year. The drought reduced the crop and there is under discussion the necessity of imports.

I referred to naval stores, supplies of which were also reduced by the drought. We hold most of the existing world stocks of naval stores.

We need to protect our own requirements in this country; obviously, we are not out pushing export sales of those items.

Senator BRIDGES. Let me interrupt there, without interfering with Senator Stennis.

What did you say about peanuts?

Mr. MORSE. We have had substantial support operations in peanuts in the past. This year the drought hit the crops so badly that the price is strong and the domestic use of peanuts is such that great pressure is being put on to increase the import quotas.

Senator BRIDGES. I could not quite believe that.

Mr. MORSE. The situation has quickly changed here in 1 year due to the drought.

Senator HOLLAND. Some of us from the peanut areas found it difficult to believe that also, and we felt very seriously whether there is any justification for the importation of peanuts.

Senator YOUNG. May I add, durum wheat, from which they make spagaroni and spaghetti, is in short supply. We have a total reduction of 5 million bushels, where the annual production is more like 35 million bushels. And the macaroni industry had a request to import 15 million bushels, but they have withdrawn it now, in lieu of another program we are presenting to the Agricultural Committee shortly.

Senator HOLLAND. Of course the Agricultural Committee would be very glad to join with the Senator from North Dakota at his urging last year, to relieve the durum wheat producing industry, from the provisions of the acreage allocation, and I understood that that was to help out in the very situation that you have mentioned.

Senator YOUNG. I will be back there next week again for another measure.

#### FOREIGN AGRICULTURAL SERVICE

Senator DWORSHAK. It is my impression that for several years you have had in the Department of Agriculture an agency whose specific duty was to promote international trade insofar as it involves agricultural commodities. It seems to me that it was Mr. Wells who was the head of that agency.

Do you still have that operation?

Mr. MORSE. I wonder if you are referring to the Foreign Agricultural Service?

Senator DWORSHAK. Yes, I think so.

Mr. MORSE. The Foreign Agricultural Service is headed by Mr. William Lodwick.

Senator DWORSHAK. Do you still have this agency?

Mr. MORSE. Yes, sir.

Senator DWORSHAK. Do they not have anything to do with this? I thought from a previous hearing that that committee was set up or that agency was set up primarily to promote foreign trade. Now you are asking for additional personnel.

Is there any duplication? What is the function of that other agency?

Mr. MORSE. The Foreign Agricultural Service is the agency to which these agricultural attachés are now being transferred from the State Department.

Senator DWORSHAK. Has this committee been functioning? Now some work has to be done and you have to get additional personnel.

Mr. MORSE. No; as indicated in this statement, this additional authorization is primarily required for the handling, processing, and handling of all of the paperwork that it takes in the Commodity Credit Corporation for making these loans and acquiring title to them when farmers turn the commodities over in satisfaction of their loans. Then when any products are sold, the whole machinery to handle disposals has got to go into operation again. This request is to



handle only the workload in the Commodity Credit Corporation itself; it does not include any funds for the Foreign Agricultural Service.

Senator DWORSHAK. What workload is carried by the other agency and how many employees do they carry? Can you tell us?

Mr. MORSE. Their activities have to do with the whole foreign service of the Department of Agriculture.

#### TOTAL PERSONNEL

Senator DWORSHAK. How many do you have employed there? Can you give us the figure?

Mr. MORSE. About 300.

Senator DWORSHAK. What do they do? Do they participate in this expanded program?

Mr. MORSE. They have had a very heavy workload in connection with Public Law 480, because it involves foreign transactions and these negotiations have taken endless time on their part.

Senator DWORSHAK. But you have to have additional expanded personnel to actually do the work?

Mr. MORSE. This request, gentlemen, does not include funds for the Foreign Agricultural Service in any regard.

#### QUESTION OF DUPLICATION

Senator DWORSHAK. But it would appear to me that it is duplicating work that that agency should have handled. Now, does it duplicate it or does it not? What are 300 people doing in this other program?

Mr. MORSE. They work in the field of foreign agricultural relations.

Senator DWORSHAK. Do they show results or are they just a paper organization, and when you actually have something like this to carry on you have to ask for \$7 million to start a new program?

Mr. MORSE. No; I assure you they have a very heavy program entirely apart from the operations of the Commodity Credit Corporation.

Senator DWORSHAK. But I am interested in seeing that we do not continually ask for an expansion of personnel to carry on some of these programs. I have been critical of previous administrations and I do not like to see this administration constantly ask for additional personnel every time you have a little program of some kind and you have to have millions of dollars to carry it on.

Now, is this necessary, or is it not?

Mr. MORSE. It is absolutely necessary, sir. As I stated earlier, we were before Congress twice to get the CCC's borrowing authority increased because of this load that was coming on. At that time there was no provision for carrying the expenses of handling this workload when it hit. Now the workload is upon us and it must be handled.

Senator DWORSHAK. What load did those 300 carry? Did they not have a workload at any time; they were just on the payroll?

Mr. MORSE. They are not involved in the handling of CCC transactions which this estimate covers.

Senator DWORSHAK. Could they not carry on this particular operation?

Mr. MORSE. No, sir.

Senator DWORSHAK. Why could they not?

Mr. MORSE. The heaviest part of this load for which this money is needed is in eight large commodity offices, New Orleans, Chicago, Portland, Dallas, Kansas City, Boston, and Cincinnati.

Senator DWORSHAK. Those are all cities in the United States. How about this foreign operation, where are these 300 located?

Mr. MORSE. The 300 people in the Foreign Agricultural Service are not handling or not making loans to farmers, they are not taking over title to corn and wheat, they are not arranging the warehousing, and they are not making contracts for the storage of this grain, the shipment of it, and so on. They are not involved in those operations in any regard. This request is for the workload involved in such transactions. And every time we do what this committee has suggested, get more sales, we increase the workload for which we need this money.

#### EXPENDITURES

Chairman HAYDEN. Let me state it this way. It might be well for you to put into the record percentagewise how this money you are asking for, or the total amount expended for that purpose, is divided between functions performed within the United States and functions performed outside.

Mr. MORSE. It is all to be used in the United States, sir.

Chairman HAYDEN. I understand that. But you do have a foreign-aid program in the sense that we are trying to export commodities and get rid of the surplus in that way. That is a very minor part of your work; that is what I am trying to point out.

Mr. MORSE. We could make a division based on the volumes of sales and work within the United States and that relating to foreign shipments, and that would be fine. We can do that.

Senator ELLENDER. I thought I had asked him to do that.

(The information referred to appears on p. 10.)

Senator DWORSHAK. Is it true, then, Mr. Morse, that this expanded activity requires personnel in this country rather than in foreign countries?

Mr. MORSE. That is right.

Senator DWORSHAK. I thought some of this personnel was to be placed in other countries.

Mr. MORSE. Oh, no, sir.

Senator DWORSHAK. It is all in this country.

Mr. MORSE. This request is to finance the handling of the workload in this country to handle price-support operations.

#### SUGGESTED PROCEDURE

Senator DIRKSEN. Would you yield for a suggestion there, Senator Dworshak?

Mr. Chairman, in the report that accompanied the foreign-aid bill, last year, we did recite that it was expected that this program of assistance and development would probably replace all other programs in this field, as I recall.

Now, if that is true, Mr. Morse, why would it not be a good idea to set up in a somewhat tabular form everything relating to this Turkish agreement because it is probably a pattern that you will follow later? That is with respect to other countries.



Now, I think it could very well run something like this, and it doesn't have to be very long, the date of the agreement with Turkey, the amount involved both dollarwise and expressed in terms of lira, the grain company that handled it, and the commissions that have been paid on the transaction, expressed in dollars and in lira, then the shipment of the bread grains, whether in American or foreign bottoms, then the allocation of the funds and the nature of the considerations involved, whether we took a note for it, whether it was cash, and then of course the distribution of the amount received as between the different agencies and functions, how much did the military get, how much did FOA get, and how much did the State Department get, if they got any.

But if this is to be a pattern, if this is going to replace ultimately our other programs in the field, I think that we ought to have some rather precise information as to just how this works and how it is apportioned.

It looks to me like you have a complicated administrative problem here that could be simplified somewhat, but we cannot tell unless we have all of the data and the details.

Mr. MORSE. We will be very happy to do that.

This program is at the stage of negotiation, so that we probably cannot name any companies. Until the commodities actually get to moving, that cannot be done. Some of the other items you requested would have to be based on estimates.

Senator DIRKSEN. Is any of this information classified, with respect to the negotiations?

Mr. MORSE. No; the type of thing that you are requesting could be supplied. All I was saying was that we are getting the agreements set up, and until the actual shipments take place, we cannot name companies and actually state what the commission paid was. We would have to make some estimates, but I think we can project a good statement for you.

(The information referred to follows:)

#### DETAILS OF AGREEMENT WITH THE GOVERNMENT OF THE TURKISH REPUBLIC FOR THE EXCHANGE AND SALE OF SURPLUS AGRICULTURAL COMMODITIES

##### NEGOTIATION OF AGREEMENT

In mid-October 1954 reports were received from the United States Embassy in Ankara that the Government of Turkey was interested in acquiring 500,000 tons of grains from the United States under the provisions of Public Law 480. The Turkish request was based on the serious drought which occurred in that country during the summer months and which resulted in a sharp decrease in Turkish wheat-crop prospects for 1954. It was initially estimated last summer that the Turkish wheat crop would approach 6 million tons. However, the information received from the Embassy in Ankara in October indicated a production of only 4½ million tons in 1954. This compared with the crop of about 8 million tons in 1953.

Because of the urgency of the situation, the Government of Turkey sent a delegation to Washington headed by their Minister of Agriculture to attempt to negotiate a title I program to meet their needs. On November 1, 1954, representatives of the Interagency Staff Committee on Agricultural Surplus Disposal<sup>1</sup>

<sup>1</sup> The Interagency Staff Committee on Agricultural Surplus Disposal has been established by the Secretary of Agriculture to assure effective day-to-day interdepartmental coordination of surplus disposal operations, particularly those undertaken under Public Law 480. The Committee was established by the Secretary pursuant to the President's letter of September 9, 1954, which was sent to Department heads when Executive Order 10560 was issued.

The Committee operates under the chairmanship of the Department of Agriculture and is composed of representatives of the Departments of State, Commerce, Defense and Treasury, the Bureau of the Budget, Foreign Operations Administration, and the Office of Defense Mobilization. Mr. William G. Lodwick, Administrator, Foreign Agricultural Service, USDA, is the chairman.

The Committee reviews all title I program proposals prior to the initiation of formal negotiations. It also reviews proposed negotiating instructions and agreements.



met with members of the Turkish delegation regarding this matter. At this meeting the Turkish Minister of Agriculture requested United States assistance in obtaining 300,000 tons of wheat and 200,000 tons of feed grains to meet the emergency needs. The Turkish representative advised that their exports of wheat had been terminated on October 28 and that imported supplies would be needed in Turkey by mid-December in order to prevent a breakdown in their distribution program for the urban population. They also said that their problem was accentuated by the fact that the bulk of their remaining holdings consisted of durum wheat and that soft varieties were needed in order to produce a suitable blend for baking purposes. The presentation made by the Turkish delegation generally confirmed earlier information received from the United States Embassy in Ankara and data available in the Department of Agriculture. No substantive proposal was made to the Turkish delegation at this meeting. They were told that their proposal would have to be considered further by the Interagency Staff Committee before any conclusion could be reached.

On the same day a work group was appointed by the Chairman of the Interagency Staff Committee to examine the Turkish proposal and to develop a recommendation. The work group was headed by a representative of the Department of Agriculture with further representation from the State Department, Treasury Department, and the Foreign Operations Administration. The work group met with the members of the Turkish delegation on several occasions and based on the data and information available at that time concluded that (1) the emergency Turkish requirements were valid; (2) approximately \$10 to \$12 million in Turkish lira could be used for various United States purposes, primarily to meet direct United States military costs in that country; (3) the Turkish Government was in position to pay for a portion of the grain required through an exchange of chrome ore for wheat; (4) a portion of the Turkish needs could be met through United States Government financing under section 402 of Public Law 665; (5) the Turkish limitation on exports should be continued to the end of the current crop year with the exception of certain small quantities on which firm commitments had been made during the previous year; (6) the program should be broken into two phases in order to permit a review of Turkish requirements in February of 1955 when more exact data would be available on the Turkish crop.

A package proposal involving the use of authority contained in titles I and III of Public Law 480 and section 402 of Public Law 665 was presented to the Interagency Staff Committee on Agricultural Surplus Disposal for approval by the work group on November 4, 1954. After discussions with the Turkish delegation the program described below was approved by the Committee for final negotiation in a meeting of the Committee held on November 9, 1954. The agreement was signed by representatives of the two Governments on November 15, 1954, and was announced the next day.

#### PRINCIPAL PROVISIONS OF AGREEMENT

##### *Part I*

1. The Department of Agriculture, acting under authority contained in section 303, Public Law 480 will undertake to arrange for the prompt exchange of approximately 100,000 tons of wheat for metallurgical chrome ore of Turkish origin. United States private-trade channels will be utilized in effecting this exchange. Part of any wheat supplied in this exchange may be exported to friendly countries other than Turkey but the balance will be shipped to Turkey. (Approximately 70,000 tons of wheat has already been shipped to Turkey under this exchange.) The Government of Turkey will undertake to facilitate the export of chrome ore against exchange contracts within 18 months of the date of the signing of such contracts.

2. The Foreign Operations Administration will finance the export and sale of 30,000 tons of wheat for Turkey with defense support funds provided under Public Law 665. This financing will be provided within the amount of defense support funds now planned for Turkey during United States fiscal year 1955. The lira deposits in payment for such transaction will be utilized by the United States for the support of the Armed Forces in Turkey. (This wheat has already been shipped to Turkey.)

3. The Department of Agriculture is prepared to finance the export of 70,000 tons of wheat and 125,000 tons of feed grains to Turkey for lira under title I of Public Law 480. The Government of Turkey will deposit to a designated United States account in Ankara, lira equivalent to the dollar sales value of commodities sold including freight and handling reimbursed or financed by the Department of Agriculture. These dollar sales values shall be converted to lira at the rate

of exchange in effect on the date of the last preceding notification report of the United States Government. The deposit of lira to the United States account will be made upon presentation of notification reports to the Government of Turkey by appropriate United States officials. These deposits of Turkish lira shall be used to meet United States obligations and to further Turkish development.

### *Part II*

Not later than February 15, 1955, the two governments will consult regarding the need to meet up to 175,000 tons of Turkey's remaining grain requirements. If it is mutually determined that the emergency needs of Turkey cannot otherwise be met, the United States will undertake to make available: (a) up to 100,000 tons of wheat financed in the amount of 70 percent by the FOA with defense-support funds under Public Law 665 and 30 percent to be provided by the Department of Agriculture under title I of Public Law 480; (b) up to 75,000 tons of feed grains to be provided by the Department of Agriculture under title I of Public Law 480.

Turkish lira deposited in payment for commodities supplied in part II will be utilized in the same manner as under part I of the agreement.

The Government of Turkey agrees that the grain involved in this agreement is necessary for domestic consumption and that it undertakes that no grain will be exported prior to July 1, 1955, or such earlier date as may be agreed upon between the two governments, excepting up to 20,000 tons of siha wheat which may be exported to West Germany and up to 5,000 tons of low-grade durum wheat which may be exported to Greece. Further, the Government of the United States may, after consultation with the Government of the Turkish Republic, stop shipment of grains under part I or part II if it is determined by the United States that further needs for these commodities can otherwise be met.

### SALES FOR LOCAL CURRENCY UNDER TITLE I, PUBLIC LAW 480

The two governments will conclude a supplemental agreement which together with the terms of this agreement shall apply to the sale of commodities and the uses of the currency accruing from such sales. Supplemental agreements shall include provisions relating to the sale and delivery of the commodities, time, and circumstances of deposits of such currency and other relevant matters. The provisions of such supplemental agreements will be incorporated in procurement authorizations issued by the Government of the United States (United States Department of Agriculture).

### USES OF LOCAL CURRENCY UNDER TITLE I, PUBLIC LAW 480

1. The two governments agree that the Turkish lira accruing to the Government of the United States as the result of sales made pursuant to the agreement will be used by the Government of the United States of America for the following purposes in the percentages shown: (a) to pay United States obligations abroad—the Turkish lira equivalent of the dollar cost of 50 percent of the wheat and feed grains. (These lira will be sold to other agencies of the United States Government for their appropriated dollar funds. It is expected that most of the lira will be sold to the Defense Department to meet their expenses in Turkey. Dollars received by the Treasury for such sales will be transferred to the Commodity Credit Corporation. In this way the Corporation will be reimbursed for 50 percent of the value of the program.) (b)<sup>2</sup> For loans to promote multilateral trade and economic development made through establishing banking facilities in Turkey or in any other manner which the President of the United States may deem

<sup>2</sup> All lira paid by Turkey for grain sold under title I will be deposited to a special United States Government account in Ankara. In accordance with the agreement signed with Turkey on November 15, half of the lira are earmarked for economic development purpose in Turkey.

As a matter of policy none of the foreign currencies used for economic development purposes will be given to the foreign country concerned. Therefore the lira for economic development purposes will be loaned to Turkey.

The President has delegated responsibility to the Foreign Operations Administration for administering the use of foreign currencies for such loan purposes.

Turkey will be called upon to repay the loans and to pay interest either in dollars or lira, at their option. Repayment will be scheduled over a period of 20 to 40 years. Lira repayment will be made to the United States Treasury and will be available to pay any expenses of the United States Government which can be paid in lira.

The loans will be made to the Turkish Government for use by them in financing projects approved by the Foreign Operations Administration. In general these projects will be considered on a group basis thus minimizing the amount of supervision required.



to be appropriate—50 percent of the Turkish lira equivalent of the dollar cost of the wheat and feed grains.

2. The Turkish lira accruing under this agreement shall be expended by the United States Government for the purposes stated above in such manner and order of priority as the Government of the United States shall determine.

#### GENERAL UNDERTAKINGS UNDER TITLE I, PUBLIC LAW 480

(1) The Government of Turkey agrees that it will take all possible measures to prevent the resale or transshipment to other countries for use for other than domestic purposes of surplus agricultural commodities purchased under title I of Public Law 480 and to assure that its purchases of such commodities does not result in increased availability of these or like commodities to nations unfriendly to the United States.

(2) The two Governments agree that they will take reasonable precautions to assure that such sales will not unduly disrupt world agricultural prices, displace usual marketings of the United States in these commodities or materially impair trade relations among the countries of the free world.

(3) In carrying out the agreement the two Governments will use their best endeavors to develop and expand continuous market demand for agricultural commodities.

#### IMPLEMENTATION OF TITLE III, PUBLIC LAW 480, PORTION OF TURKISH AGREEMENT

Prior to the signing of formal agreements, information about the negotiations between the United States and Turkey, for the exchange of surplus agricultural commodities in return for Turkish metallurgical chrome, resulted in the submission of numerous offers to CCC. In order to merit consideration the CCC required that offers be in writing, unconditional, submitted by private United States traders, and be accompanied by documentary evidence of availability of the chrome ore.

When a sufficient number of offers had been received to suggest a fair representation of United States international ore traders, CCC consulted with EPS regarding qualities, quantities, prices, delivery schedules, reliability of suppliers, and similar matters, reflected by the offers on hand. Analyses were prepared and a group of the lowest acceptable offers were set aside for further negotiation.

Subsequently, as a result of such further negotiations, barter contracts were arranged calling for the delivery of approximately 270,000 long tons of Turkish metallurgical chrome ore to CCC at not more than prevailing market prices. For this quantity, the contractors were required to deliver to Turkey a minimum of approximately 80,000 tons of wheat received from CCC at CCC export market prices. About 70,000 tons has already been shipped to Turkey. The contractors were required to take the balance of the exchange value of the chrome ore in any available CCC-owned agricultural commodities including wheat. These commodities may be exported to Turkey or any other friendly area.

#### IMPLEMENTATION OF TITLE I, PUBLIC LAW 480, PORTION OF TURKISH AGREEMENT

1. Regulations governing financing of sales under title I, were issued by the Secretary of Agriculture on November 22, 1954.

2. Discussions promptly were held between representatives of the Department of Agriculture and the Turkish Government as to provisions of the application to be made by the Turkish Government for title I commodities and the purchase authorizations to be issued to them.

3. On December 23, 1954, CCC issued Announcement GR-301 stating terms and conditions of sales of grain for export under title I.

4. On January 10, 1955, the Department of Agriculture issued purchase authorizations to Turkey to purchase approximately \$12,523,000 worth of wheat, oats, and barley, and released information to enable exporters to become familiar with the details of the program.

5. On January 12, 1955, Toprak (the Turkish governmental purchasing agency) issued invitations to bid to be returned by 6 p. m. Friday, January 21, 1955, c/o Turkish Economic Mission, Washington, D. C.

6. Upon award of contracts to American exporters, the Turkish Government will request CCC to issue letters of commitment to American banks on behalf of Turkish banks, under which letters of credit in favor of exporters will be issued.

7. Exporters will purchase grain from CCC. Prior to shipment of such grain (or private stocks under certain conditions), the exporter must obtain a letter



of credit issued or confirmed by the American bank to which the letter of commitment was issued. The costs of these financial arrangements are paid by the Turkish importer.

8. After shipment, the exporter will draw on the letter of credit with required documents attached to the sight draft and will receive payment in United States dollars.

9. The American bank will send the documents required by the importer to the Turkish bank, charging the account of the Turkish bank with the service fees. The amount of the sales price will be deposited in Turkish lira in a special account of the United States at Ankara. Such deposit will be made at the official selling rate in effect on the date of disbursement by the American bank.

10. The American bank will send to CCC the documents required for reimbursement to of the dollar amount paid to the exporter.

11. CCC will make appropriate dollar disbursement to the American bank, examine the documents, and make any necessary final settlement with exporters.

12. CCC will receive reports from the Treasury Department as to deposit of liras, will authorize refund of excess liras, and will report deficiencies. The Turkish Government will be required to deposit additional liras to compensate for any deficiency.

#### SALARY PAYMENTS

Senator YOUNG. What do you use the additional \$7 million for; is it salaries?

Mr. BEACH. Yes, primarily for salaries in the eight large commodity offices that handle the paperwork resulting from CCC price-support programs.

There is also an increase in the State offices, also primarily for salaries of individuals employed to supervise and direct the county office operations, which have experienced an increase in volume of more than 1,000 percent in the case of some commodities over the preceding year.

Senator YOUNG. We are the second principal wheat-producing State. I do not think you have added more than 2 or 3 people in your State office in North Dakota.

Mr. BEACH. This request would only provide for an average of less than three per State, sir.

Senator YOUNG. Three people per State. And it would cost \$7 million?

Mr. BEACH. That is, an average of three people per State is provided by the portion of the increase indicated for States. The largest part of this request is for the eight large commodity offices, to cover the cost of clerical help which is involved in handling this tremendous mass of paperwork that results from the CCC price-support operations including the inventory sales and other dispositions.

Senator YOUNG. You hire them from the civil-service rolls?

Mr. BEACH. Yes, with the exception of the administrative officer and the State committee, of course, in the State offices. All other personnel are recruited from civil-service rolls.

Senator YOUNG. It is difficult for me to see where you use this additional \$7 million just for salaries.

Mr. BEACH. It is not all for salaries, but the major part of it is. There are additional travel, rent, and other costs. We have one item in particular, warehouse inspection, which involves a considerable amount of travel.

Basically, the cost of our whole operation is largely a salary cost. The salaries of people that are required in the field offices represent the major part of our expense.

Senator YOUNG. How many top personnel in your Washington office are paid out of these funds here?

Mr. BEACH. I cannot give you the figure offhand, but a large proportion of them are because the CCC is the largest function the Commodity Stabilization Service carries out.

Senator YOUNG. I will go further into that later.

#### INCREASE IN ADMINISTRATIVE EXPENSE

Senator HOLLAND. It is quite obvious, Mr. Chairman, that they are asking for an increase here of about 40 percent of administrative expense. Suppose we increased the borrowing authority more than 40 percent. It seems to me, the question is whether or not the actual volume of loans and operations has been increased proportionately with our increase in borrowing authority.

Senator YOUNG. We have not used this increased borrowing authority.

Senator HOLLAND. We have used quite a lot of it; as I understand, we are up now above \$7½ billion.

Mr. MORSE. It is a question of increased workload, as compared with the past in the way of loans, inventories, and related transactions.

Mr. BEACH. The workload has increased considerably more than 50 percent. This increase in expenses over the present authorization amounts to approximately 42 percent.

Senator HOLLAND. How has the volume of transaction increased as compared to your volume prior to 1954?

Mr. BEACH. They are at an all-time peak.

Senator HOLLAND. Will you give a percentage?

Mr. BEACH. I cannot give you a percentage offhand, but the peak workload that we had prior to 1954 was in 1951, when we had the tremendous sales program after Korea.

I could work out a percentage which would give an indication but I cannot do it now.

Senator HOLLAND. I will ask that that be placed in the record. That will give us some light.

Chairman HAYDEN. That will be done.

(The information referred to follows:)

Overall it is estimated that the workload to be performed by the CSS commodity offices in the fiscal year 1955 will exceed by 83 percent the workload which was estimated at the time the 1955 budget was formulated.

Major changes in the number of documents or transactions to be handled are as follows:

Item	Number of documents		Percentage change
	Budget estimate	Revised estimate	
Warehouse inspections.....	12, 022	36, 227	+201. 3
Loading orders.....	44, 291	93, 386	+110. 8
Notices to deliver.....	52, 547	96, 778	+84. 1
Freight bills.....	296, 972	562, 039	+89. 2
Sales invoices.....	78, 026	106, 497	+36. 4
Collateral acquisitions—notes or bales.....	989, 602	2, 664, 901	+169. 3

There follows, full detail with respect to the difference between the current commodity volume estimates for the fiscal year 1955 and the estimates made in the fall of 1953 and included in the 1955 budget.

## Price support program—Comparison of fiscal year 1955 commodity budget estimates with revised estimates for fiscal year 1955

[Quantities in thousands]

	Loans out- standing beginning of year	New loans made	Repay- ments	Collateral acquired	Loans out- standing at end of year	Beginning inventory	Acquisi- tions	Disposi- tions	Ending inventory
Basic commodities:									
Corn:									
Budget estimate.....bushels	415,000	275,000	155,000	265,000	270,000	488,000	295,000	120,000	663,000
Revised estimate.....do	410,329	260,600	42,929	308,000	320,000	364,939	367,000	200,939	531,000
Difference.....do	-4,671	-14,400	-112,071	43,000	50,000	-123,061	72,000	80,939	-132,000
Cotton, extra long staple:									
Budget estimate.....bales	65	30	10	65	20		65		65
Revised estimate.....do	65	25	5		85				
Difference.....do		-5	-5	-65	65		-65		-65
Cotton, upland:									
Budget estimate.....do	5,900	2,000	2,100	1,300	4,500	136	1,300	636	800
Revised estimate.....do	6,872	2,500	3,011	1,675	4,686	133	1,675	328	1,480
Difference.....do	972	500	911	375	186	-3	375	-308	680
Peanuts:									
Budget estimate.....pounds		625,000	540,000	85,000		70,000	85,000	70,000	85,000
Revised estimate.....do	36,510	50,000	76,510	10,000		32,329	10,000	42,329	
Difference.....do	36,510	-575,000	-463,490	-75,000		-37,671	-75,000	-27,671	-85,000
Rice (rough):									
Budget estimate.....hundredweight		3,000	1,000	2,000			3,000	3,000	
Revised estimate.....do	283	6,000	1,033	5,250		2,150	19,788	12,338	9,600
Difference.....do	283	3,000	33	3,250		2,150	16,788	9,388	9,600
Tobacco:									
Budget estimate.....pounds	454,330	200,000	225,475		428,855	2,342		2,342	
Revised estimate.....do	585,047	318,500	269,892		634,555	3,517		3,517	
Difference.....do	131,617	118,500	44,417		205,700	1,175		1,175	



[illegible]

Price support program—Comparison of fiscal year 1955 commodity budget estimates with revised estimates for fiscal year 1955—Continued

	Loans out- standing beginning of year	New loans made	Repay- ments	Collateral acquired	Loans out- standing at end of year	Beginning inventory	Acquisi- tions	Disposi- tions	Ending inventory
Other nonbasic commodities:									
Barley:									
Budget estimate..... bushels.....	1,000	40,000	15,000	25,000	1,000	8,000	26,000	4,000	30,000
Revised estimate..... do.....	19,035	85,000	26,035	71,000	7,000	14,108	77,300	25,408	66,000
Difference..... do.....	18,035	45,000	11,035	46,000	6,000	6,108	51,300	21,408	36,000
Beans, dry edible:									
Budget estimate..... hundredweight.....	100	2,500	1,450	1,050	100	530	1,250	800	980
Revised estimate..... do.....	96	3,000	1,896	1,200	-----	1,539	1,800	1,889	1,000
Difference..... do.....	--4	500	446	150	--100	1,009	50	1,039	20
Cottonseed and products:									
Cottonseed:									
Budget estimate..... tons.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Revised estimate..... do.....	2	2	2	-----	-----	-----	20	20	-----
Difference..... do.....	-----	2	2	-----	-----	-----	20	20	-----
Cottonseed oil, crude:									
Budget estimate..... pounds.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
Revised estimate..... do.....	-----	-----	-----	-----	-----	798	299,202	300,000	-----
Difference..... do.....	-----	-----	-----	-----	-----	798	299,202	300,000	-----
Cottonseed oil, refined:									
Budget estimate..... do.....	-----	-----	-----	-----	-----	1,031,872	58,280	400,000	690,152
Revised estimate..... do.....	-----	-----	-----	-----	-----	884,446	172,574	898,100	158,920
Difference..... do.....	-----	-----	-----	-----	-----	--147,426	114,294	498,100	--531,232
Cottonseed meal:									
Budget estimate..... do.....	-----	-----	-----	-----	-----	150,000	162,601	312,601	-----
Revised estimate..... do.....	-----	-----	-----	-----	-----	180,313	1,394,124	1,580,437	-----
Difference..... do.....	-----	-----	-----	-----	-----	36,313	1,231,523	1,267,836	-----
Cotton linters:									
Budget estimate..... do.....	-----	-----	-----	-----	-----	526,109	-----	282,500	243,609
Revised estimate..... do.....	-----	-----	-----	-----	-----	637,281	180,000	180,000	637,281
Difference..... do.....	-----	-----	-----	-----	-----	111,172	180,000	--102,500	393,672

[illegible]



Price support program—Comparison of fiscal year 1955 commodity budget estimates with revised estimates for fiscal year 1955—Continued

	Loans out- standing beginning of year	New loans made	Repay- ments	Collateral acquired	Loans out- standing at end of year	Beginning inventory	Acquisi- tions	Disposi- tions	Ending inventory
Other nonbasic commodities—Continued									
Seeds—Continued									
Winter cover crop									
Budget estimate	500			500		20,000	500	20,500	
do	215		15	200		35,086	200	10,286	25,000
Revised estimate									
Difference	-285		15	-300		15,086	-300	-10,214	25,000
Sorghums, grain:									
Budget estimate	2,050	30,000	10,050	20,000	2,000	2,600	21,000	3,600	20,000
do	1,340	75,000	5,610	70,730		29,301	72,815	35,116	67,000
Revised estimate									
Difference	-710	45,000	-4,440	50,730	-2,000	26,701	51,815	31,516	47,000
Soybeans:									
Budget estimate	3,000	30,000	20,000	10,000	3,000	2,000	11,500	5,000	8,500
do	199	30,000	27,681	2,518		18	3,018	536	2,500
Revised estimate									
Difference	-2,801		7,681	-7,482	-3,000	-1,982	-8,482	-4,464	-6,000

## PRODUCTION AND WORKLOAD

Mr. BEACH. We had a larger number of personnel in 1951 than we have now, with much more workload at the present time than we had in 1951.

Our production rates in the commodity offices are steadily increasing, and we are at a 25 percent higher production rate now than we were in 1953 and a 7 percent higher rate than we were in 1954.

Senator THYE. You mean production of the employees' output?

Mr. BEACH. Yes, sir; output in terms of production per man.

Senator THYE. I would like to pursue what Senator Holland was alluding to. That is your corn seal-up loans are on the decrease, are they not?

Mr. BEACH. This is just the beginning of the heavy loan season.

Senator THYE. I grant you that. But your overall in the commodity credit holdings on corn is less than it was in 1953?

Mr. BEACH. Our estimate for corn loans this year is less now than it was at the time we were here before, but that is the only major one.

Senator THYE. Now, the other question, then, is, where is your increase?

Mr. BEACH. Our increase is in dairy products, in cotton, in rice, wheat, other small grains——

Senator THYE. But we have been led to understand that your dairy products are on the decrease.

Mr. BEACH. Sir, they are now, but what this takes into account is the bulge that took place beginning last year.

Senator THYE. That is what I want to get clear. It is not in the administration of incoming applications for loans?

Mr. BEACH. That is a factor.

Senator THYE. It is administrative cost in the transactions required to dispose of surpluses. Are we right in assuming that that is where your increased load is?

Mr. BEACH. It covers all of the transactions involved in managing and disposing of the inventories that we have on hand.

Senator THYE. Your load is not on the incoming applications for either a seal-up or for the acquirement of surplus commodities.

Mr. BEACH. The load is not bigger than last year, but we have that load along with this other heavier load, that is our problem.

Senator THYE. You of course had the personnel to take care of the incoming applications for loans under commodity purchases or storage, but you have here, as a request for additional help, what you have is trying to dispose of surpluses.

Mr. BEACH. It is to manage and dispose of inventories; our biggest cost is to care for these tremendous inventories that we have on hand. It is very costly, also, to dispose of them.

Senator THYE. As you proceed with the step-up in your disposal of current surpluses, then of course your so-called expense of managing and supervising should in itself be lessened.

Mr. BEACH. It will be lessened eventually, but the cost during the time we are disposing of it will be much higher, because one of the most costly operations we have as an individual operation is the disposal of commodities.

The reason for it is this, and I think that you will understand clearly what I mean. If we sell a large quantity of wheat for export, that puts

into operation a chain of events such as the movement of wheat from the farthest out country houses into terminals, to get it into position so that those country houses will be available when the new crops start to move in.

In other words, we put into effect a reconcentration of the grain just as fast as we move it out. Loading orders, bills of lading, and freight bills, pile up by hundreds of thousands, if we have a very large movement. If it is not moving, our problems are very heavy in trying to find storage and in moving it into such available storage as appears and in inspecting it to see that it is properly taken care of, and so forth.

Senator THYE. Thank you.

## HOUSING AND HOME FINANCE AGENCY

### FEDERAL HOUSING ADMINISTRATION

**STATEMENTS OF NORMAN P. MASON, FEDERAL HOUSING COMMISSIONER; FRANK J. MEISTRELL, GENERAL COUNSEL; LESTER H. THOMPSON, COMPTROLLER; HORACE B. BAZAN, DIRECTOR, BUDGET AND ORGANIZATION DIVISION; ALLAN F. THORNTON, DIRECTOR, RESEARCH AND STATISTICS DIVISION; AND JOHN M. FRANTZ, DIRECTOR, BUDGET AND ORGANIZATION STAFF, OFFICE OF THE ADMINISTRATOR**

#### PREPARED STATEMENT

Chairman HAYDEN. We have now the Housing and Home Finance Agency.

We are pleased to hear from you, Mr. Mason.

Mr. MASON. I have a prepared statement which I would be glad to read, or present it at your option.

Chairman HAYDEN. We will include the entire statement in the record, and you may highlight it.

(The statement referred to follows:)

#### STATEMENT OF NORMAN P. MASON, COMMISSIONER, FEDERAL HOUSING ADMINISTRATION

Mr. Chairman and members of the committee, I am very grateful to the committee for arranging this hearing so early in the new session of the Congress because we in FHA are confronted with a very serious budgetary need and time is very important. I shall try to be brief and clear.

Congress passed a new housing act last summer—the Housing Act of 1954. The response to the new act in terms of FHA applications has been tremendous. The volume of unit applications for home mortgage insurance in recent months is more than double the volume during the corresponding period a year ago. Moreover, the prospects are for further increases. We will soon enter the spring building period when applications reach a seasonal peak. In addition, the new programs for urban renewal and servicemen's housing are just beginning to produce applications. The volume of applications will increase as these programs gain headway.

As a result we are getting far more work than we can handle. Serious backlogs have developed in virtually all of FHA's field offices. The number of home mortgage insurance unit applications in process, which stood at about 31,000 in June, had grown to more than 60,000 by September. It was taking—and it still is—over a month for the average applicant to get a commitment from FHA, and in some areas 2 months. During late September and early October backlogs



were continuing to accumulate rapidly. We were receiving information that in some areas of the country unemployment in the building trades was being aggravated by FHA's inability to keep up with the volume of applications and by the consequent inability of builders to proceed with their homebuilding plans. Buyers and sellers of existing homes who have applied in great numbers for FHA commitments under the terms of the Housing Act of 1954 met with unreasonable delays. It was evident by the end of September that the new housing act with all its importance to the economy was in danger of being frustrated by this dislocation in our operations.

Congress was not in session in September so we could not then seek further budget authorization. In the meantime it was imperative that we take such emergency measures as we could to keep the situation from deteriorating further until Congress convened.

We took these emergency steps promptly. The processing staff in the field was put on a 6-day work week with further overtime authorized where it could help in keeping down the backlogs. We stepped up our efforts to recruit employees and authorized the use of part-time help and outside appraisers. We also adopted a procedure to let builders in certain group cases go ahead with construction without knowing what value FHA would place on each property in the group. This did not eliminate any FHA processing, but it deferred some processing steps and enabled a builder who wanted to take the risk to get his houses under roof before cold weather shut down his building operations. By these emergency measures and by having the advantage of the winter seasonal slowdown in applications we have kept the backlog from getting any worse since October—we have kept the situation in check until Congress could consider the problem and take such action as may be deemed appropriate.

At the present time we are in this situation: We need about \$2 million to maintain our present authorized field staff for the balance of the fiscal year. That staff cannot keep up with the volume of work we are now getting, except with very extensive overtime, and would fall far behind as the spring volume begins to come in. To pay for the overtime and additional employment needed during the balance of this year to keep abreast of the nearly 400,000 unit applications which we expect to receive between now and the end of June we will need another \$3.3 million, approximately. The tables which appear on pages 4, 5, and 11 of the justifications show in detail how the volume of business has developed and the resulting manpower requirements.

I should say that it will be no easy task to recruit and train the needed personnel and get the necessary high production and high-quality processing work done in the face of this tremendous workload during the coming months and with the long hours we are demanding from our staff. But let me say I know our staff has a great pride in the job it is doing and a great will to get it done well. I will do all I can to give them the kind of support they need and all of us pulling together will get the job done.

I should like now to explain briefly the other part of this budget request which, though it represents only \$125,000 of the total \$5,435,000, is nonetheless urgent and important. As you know, FHA has been through a period of investigation. The results, centering largely on the section 608 postwar emergency rental housing program, have given us a big job to do. Though the section 608 program itself terminated several years ago, the mortgages are still on the books. We have an obligation to protect the Government's contingent liability on these mortgages amounting to nearly \$3 billion.

The investigations have indicated that, in a substantial number of cases windfall profits, as they have been called, have been taken out of mortgage proceeds in excess of cost. These are very complex cases, each different on the facts, on the accounting and tax treatment, and on the law involved; but we are seeking, wherever it is appropriate and can be done, to get these windfall funds back into the mortgagor corporation, where they can be applied to the mortgage principal to act to reduce rents or will otherwise stand as a protection against default on the mortgage. This request includes \$68,400 for this work.

We are also seeking to follow closely and on a continuing basis the affairs of the mortgagors in all multifamily housing projects with respect to which FHA, as insurer of the mortgage and preferred-stock holder or party to a regulatory agreement, has certain rights of information and control over the mortgagor and the project management. One of the primary means of doing this is the required submission of regular financial statements by some 5,000 mortgagors. We are asking for \$42,000 to employ staff to analyze these statements.

We are also seeking to protect to the utmost the assets and income of defaulted rental projects on which FHA is the mortgagee pending acquisition of the property itself. To do this it will be our policy to have an onsite audit made immediately when it becomes apparent that the mortgage will have to be foreclosed, and we will act to secure the prompt appointment of receivers in such cases to conserve the assets and income of the projects pending acquisition. To make these audits in the remainder of this fiscal year we are requesting \$14,600.

These expenses would be met from fee and premium collections estimated at \$136.7 million this fiscal year.

Thank you. I shall endeavor to answer any questions which the committee may have.

#### AUTHORIZATION REQUESTED

Mr. MASON. Briefly, sir, we have a condition which has arisen as a result of the new Housing Act of 1954, with a tremendous new influx of business which was not prepared for when our original budget was prepared, and was not provided for at the closing sessions of last year with the rush and need of getting through quickly. We have a serious condition in practically every one of our 75 insuring offices around the country where builders are being held up because we cannot process their loans rapidly enough. We need more personnel in these offices to do this.

As I am sure this committee knows, I do not have to tell them, the borrowers pay for this service, but of course you have to give us permission to use those funds for operating expenses.

Chairman HAYDEN. This involves a transfer from your regular appropriations, to an increase in the authorization for personnel? Is that what it amounts to?

Mr. MASON. Yes.

Mr. BAZAN. Actually it involves an authorization to use a portion of our insurance income for operating expenses. Our income is estimated at \$137 million approximately this year.

#### SUMMARY OF JUSTIFICATION

Chairman HAYDEN. This matter was fully justified before the House committee, but I will have a summary included in the record.

(The summary referred to follows:)

#### REQUEST FOR SUPPLEMENTAL BUDGET AUTHORIZATION, FISCAL YEAR 1955

An additional \$5,310,000 is needed under the nonadministrative expense authorization to examine an additional 214,500 unit applications in the current fiscal year. Litigation and other action to effect recoveries under the section 608 program, the financial analysis of section 608 projects, and appropriate audits to conserve the assets and income of multifamily housing projects where default has occurred will require an additional \$125,000 under the administrative expense authorization. These increased expenses will be met from the operating income of the FHA which is expected to be approximately \$136.7 million in the current fiscal year.

Since approval of the act the average seasonally adjusted annual rate of receipts has been 741,000, an increase of approximately 40 percent. As the new programs for servicemen's mortgage insurance and for urban renewal housing develop, further heavy increases are expected.

In the aggregate 706,000 unit applications are estimated for 1955 in comparison with the 489,829 received last year.

## PROCESSING OF INSURANCE APPLICATIONS

The result of this heavy influx of work has been a serious backlog and consequent delays in processing and impairment of public service. On June 30, 1954, there were approximately 31,000 applications for home mortgage insurance in process. By the end of September the backlog had reached 66,000. In the face of the strong public response to the liberalized home mortgage terms provided by the Housing Act of 1954, it was evident that there was grave danger of frustrating and delaying the new housing program which had been approved by Congress by reason of FHA's inability to carry the workload with its existing staff. To meet this situation emergency measures were taken to permit FHA to begin recruitment of additional staff and to employ overtime, per diem and fee work on an extensive scale in an effort to prevent further growth of backlogs and dislocation of field operations pending opportunity for congressional consideration of the problem.

The field processing staff was placed on a 6-day workweek with additional overtime where practicable and necessary. Recruitment of additional full-time and per diem employment was undertaken. As a result of these emergency measures and by virtue of the winter seasonal drop in applications it has been possible to avoid further serious growth in backlogs. Nevertheless service to the public continues to be seriously delayed and in danger of worsening as the seasonal spring rise in business begins and as operations begin to develop under the new programs for urban renewal and servicemen's housing. These emergency measures must be continued and must be supplemented by prompt recruitment of qualified staff in the field.

The supplementary budgetary authorization herein requested will provide for the continuation of these emergency measures and for recruitment of the additional staff needed during the balance of the current fiscal year. Prompt action is imperative to avoid interruption in the special measures which have already been taken and to permit staffing the offices as rapidly as possible in advance of the heavy spring seasonal rise in the volume of applications.



## Unit applications received

	Home mortgage					Project mortgage		Home and project mortgage		
	Monthly volume			Seasonally adjusted annual rate			Monthly volume	Annual rate	Monthly volume	Seasonally adjusted annual rate
	New	Existing	Total	New	Existing	Total				
Fiscal year 1954:										
1953—July .....	16,763	14,318	31,081	209,500	162,100	371,600	3,897	46,700	34,978	418,300
August .....	13,999	12,581	26,580	168,000	131,300	299,300	9,895	118,700	36,475	418,000
September .....	16,069	11,833	27,902	211,900	139,200	351,100	1,972	23,700	29,874	374,800
October .....	17,621	11,879	29,500	199,500	135,800	335,300	4,329	51,900	33,829	387,200
November .....	13,406	10,305	23,711	182,800	140,500	323,300	6,889	82,700	30,600	406,000
December .....	13,386	9,562	22,948	211,300	147,100	358,400	8,111	97,300	31,059	455,700
1954—January .....	15,007	10,190	25,197	240,100	154,800	394,900	9,326	111,900	34,523	506,800
February .....	20,008	12,761	32,769	272,800	176,000	448,800	5,695	68,300	38,464	517,100
March .....	28,055	17,285	45,340	278,200	192,100	470,300	9,294	111,500	54,634	581,800
April .....	32,333	16,903	49,236	315,400	193,200	508,600	6,533	78,400	55,769	587,000
May .....	30,327	16,370	46,697	282,100	170,800	452,900	4,388	52,700	51,085	505,600
June .....	35,207	18,082	53,289	394,800	193,700	588,500	5,250	63,000	58,539	651,500
Fiscal year 1955:										
July .....	30,143	16,306	46,449	376,800	184,600	561,400	1,136	13,600	47,585	575,000
August .....	32,166	21,684	53,850	386,000	226,300	612,300	167	2,000	54,017	614,300
September .....	34,831	32,287	67,118	439,300	379,800	839,100	64	800	67,182	839,900
October .....	29,325	29,127	58,452	332,000	332,900	664,900	750	9,000	59,202	673,900
November .....	26,851	25,869	52,720	366,100	352,700	718,800	1,884	22,600	54,604	741,400

*Unit applications received*

	Actual, fiscal year 1954			Estimate, fiscal year 1955		
	New construction	Existing construction	Total	New construction	Existing construction	Total
Home mortgages:						
Title 1, sec. 8.....	30,151	156	30,307	5,500		5,500
Sec. 203.....	212,235	158,232	370,467	359,000	280,000	639,000
Sec. 213.....		3,538	3,538		5,000	5,000
Sec. 220.....				3,500	5,500	9,000
Sec. 221.....				5,000	4,000	9,000
Sec. 222.....				5,000		5,000
Sec. 603.....		7	7			
Sec. 903.....	9,795	136	9,931			
Total, home mortgages.....	252,181	162,069	414,250	378,000	294,500	672,500
Project mortgages:						
Sec. 207.....	45,450		45,450	3,000	3,500	6,500
Sec. 213.....	26,377		26,377	5,600		5,000
Sec. 220.....				14,500	1,000	15,500
Sec. 221.....				500	1,000	1,500
Sec. 701.....						
Sec. 803.....	3,590		3,590	5,000		5,000
Sec. 908.....	162		162			
Total, project mortgages.....	75,579		75,579	28,000	5,500	33,500
Total, home and project mortgages.....	327,760	162,069	489,829	406,000	300,000	706,000

*Schedule of fiscal year 1955 administrative expenses*

	Presently available	Revised estimate	Difference
Average employment:			
Full-time.....	870	890	20
Terminal leave.....	10	10	
Overtime.....	5	5	
Total.....	885	905	20
Expenses:			
Personal services:			
Full-time.....	\$4,360,995	\$4,468,395	\$107,400
Terminal leave.....	50,000	50,000	
Overtime pay.....	21,500	21,500	
Work in excess of 52-week base.....	16,500	16,500	
Total, personal services.....	4,448,995	4,556,395	107,400
Other objects:			
Travel.....	250,000	267,600	17,600
Transportation of things.....	12,720	12,720	
Communication services.....	39,125	39,125	
Rents and utility services.....	556,000	556,000	
Printing and reproduction.....	39,150	39,150	
Other contractual services.....	113,730	113,730	
Supplies and materials.....	33,930	33,930	
Taxes and assessments.....	6,350	6,350	
Total, other objects.....	1,051,005	1,068,605	17,600
Total, administrative expenses.....	5,500,000	5,625,000	125,000

## FHA-nonadministrative expenses, fiscal year 1955

	Presently available			Revised estimate			Difference	
	Depart- mental	Field	Total	Depart- mental	Field	Total	Depart- mental	Total
Average employment:								
Full time.....	604	3,504	4,108	604	4,074	4,678		570
Terminal leave.....		175	178	3	81	84		-94
Overtime.....	3	120	125	5	500	380		505
Intermittent.....		10	10		25	25		380
Total, average employment.....	612	3,809	4,421	612	4,080	5,292		15
Personal services:								871
Full-time.....	\$2,306,000	\$18,184,800	\$20,490,800	\$2,306,000	\$20,803,400	\$23,109,400		\$2,618,600
Terminal leave.....	10,300	900,000	910,300	10,300	421,200	431,500		-478,800
Overtime and holiday pay.....	29,500	700,000	729,500	29,500	3,120,000	3,149,500		2,420,000
Nightwork differential.....	2,400		2,400	2,400		2,400		
Intermittent employment.....		55,000	55,000		127,500	127,500		72,500
Pay for service abroad.....		82,000	82,000		82,000	82,000		
Pay in excess of 52-week base.....	8,900	70,300	79,200	8,900	80,000	88,900		9,700
Total, personal services.....	2,357,100	19,992,100	22,349,200	2,357,100	24,634,100	26,991,200		4,642,000
Other objects:								
Travel.....	32,100	1,594,000	1,626,100	32,100	1,919,800	1,951,900		325,800
Transportation of things.....	14,000	61,600	75,600	14,000	67,700	81,700		6,100
Communication services.....	271,000	223,400	494,400	271,000	228,200	499,200		4,800
Rents and utility services.....	326,600	760,000	1,086,600	326,600	847,500	1,174,100		87,500
Printing and reproduction.....	35,000	143,900	178,900	35,000	159,400	194,400		15,500
Other contractual services.....	46,100	111,100	157,200	46,100	124,400	170,500		13,300
Supplies and materials.....	16,000	116,700	132,700	16,000	128,200	144,200		11,500
Equipment.....		100,000	100,000		300,000	300,000		200,000
Taxes and assessments.....	5,300	44,000	49,300	5,300	47,500	52,800		3,500
Total, other objects.....	746,100	3,154,700	3,900,800	746,100	3,822,700	4,568,800		668,000
Total, nonadministrative expenses.....	3,103,200	23,146,800	26,250,000	3,103,200	28,456,800	31,560,000		5,310,000



*Analysis of field travel costs, fiscal year 1955*

	Presently available			Revised estimate		
	Work-load	Unit cost	Travel cost	Work-load	Unit cost	Travel cost
Home mortgage examination.....	435,500	\$1.30	\$566,150	650,000	\$1.30	\$845,000
Project mortgage examination.....	33,500	.42	14,070	33,500	.42	14,070
Home mortgage compliance.....	981,000	.57	559,170	1,065,000	.57	607,050
Project mortgage compliance (average unit cost).....	26,300	3.77	99,151	26,300	3.77	99,151
Project mortgage insurance.....	33,800	.25	8,450	31,600	.25	7,900
Total underwriting travel.....			1,246,991			1,573,171
	Employees traveling	Cost per employee	Travel cost	Employees traveling	Cost per employee	Travel cost
Administrative.....	132	\$518	\$68,400	132	\$518	68,400
Title I collections.....	70	1,479	103,538	70	1,479	103,538
Property management.....	81	965	78,141	81	965	78,141
Regional activities.....	81	871	70,581	81	871	70,581
Conference.....			13,600			13,600
Other.....			12,400			12,400
Total.....			346,660			346,660
Total field travel.....			1,593,651			1,919,831
Round-off.....			1,594,000			1,919,800

## WINDFALL CASES

Mr. MASON. We have, beside that, this matter of extra legal staff, in order to work on the so-called 608 windfall cases which the investigation developed, and we find that if we work on these promptly, conducting negotiations with them, we will be able to get many of those people to put this money back voluntarily into the mortgagor corporations.

Chairman HAYDEN. Are the statutes of limitations running on most of those?

Mr. MEISTRELL. The statute of limitation has not run on all of them.

Chairman HAYDEN. I am not implying that it has, but if there was money due to someone that might be recovered in court, there is a time limit on getting it back.

Mr. MEISTRELL. Senator, a good many of the cases involve charter violations, where stock was redeemed out of windfall profits, dividends paid, and loans made to the principals, and in the cases that we have already examined, the statute of limitations, I do not believe, has run.

Chairman HAYDEN. Now, as to those who profited by the windfall, if they do make restitution, who gets the benefit of it?

Mr. MEISTRELL. Ultimately, the Government and the tenants would. If we can have this money restored to the corporations, it is our theory that we can have it applied in the reduction of the mortgage debt. If we are successful in having that done the corporation could then readjust the rents at our direction in proportion to the reduced amount necessary to meet the debt service. In any event if the funds are returned to the corporation they would serve as added protection against default.

Chairman HAYDEN. Are there any questions?

## INSURANCE APPLICATIONS

Senator DIRKSEN. I have only one question. Mr. Mason, I notice that the number of insurance applications would aggregate, according to your statement, about 400,000 in a year; is that correct?

Mr. BAZAN. The number that we will get in the last half of the year will be around 400,000. In the whole of last year, it was only 450,000. This year we expect to receive in excess of 700,000 unit applications for mortgage insurance.

Senator DIRKSEN. If we assume a figure of 800,000 for a year, I am wondering about that difference between the 800,000 and the figures we see about 1,200,000 dwelling units in a year. The other 400,000 then would probably not be FHA mortgage insurance loans?

Mr. BAZAN. Of our total estimate for this year of 708,000 unit applications, about 300,000 of them will be applications covering existing homes, leaving about 400,000 in the new construction field which will relate to that figure of 1,300,000 private nonfarm housing starts in the year. We get in the neighborhood of 25, 30, or a little better percentage of the total dwelling units on which construction is started under the FHA program.

Senator DIRKSEN. That figure was the one I wanted to get.

Mr. MASON. The new housing bill has made the financing of existing housing under FHA much more desirable to the average home buyer than it was in the past. The percentage of the loans and the downpayment is smaller, and so more applications for FHA insurance will be made on existing housing than has been true in the past. We are finding that our applications are running about half existing housing, and half new housing, at the present time.

Senator DIRKSEN. Why is there that increase in FHA applications on existing houses?

Mr. BAZAN. That is because of the lower downpayments, and longer term provided in the Housing Act of 1954. It has made FHA financing a more desirable vehicle for the prospective home buyer on an existing home.

Senator DIRKSEN. That is probably then refinancing mortgages that exist at the present time with a shorter maturity period, I take it?

Mr. BAZAN. It may be partly that, but mainly I think it is people buying older homes in the normal turnover of those homes as people either move to apartments or buy bigger homes, and purchasers of those existing units are more attracted to the FHA program under the terms provided by the Housing Act last year.

Senator DIRKSEN. The question that was in my mind was this, whether or not a very substantial number of these were having difficulty carrying their present indebtedness on the basis, say, of 11, 12, 15 or 20 years, and would find the load easier if it could be extended to 25 or 30 years.

Mr. BAZAN. They will find it easier under the FHA mortgage terms.

Senator DIRKSEN. Does that contribute substantially to that?

Mr. THORNTON. The FHA does not do a great deal of insuring of refinancing mortgages, because in our underwriting procedures we have, generally, a limitation to the size of such mortgages, to 70 percent of the value of the property. So that the terms that were provided for existing home mortgages in the act of 1954 will not, except in unusual cases, have any bearing on the refinancing of mortgages.

They will apply almost entirely to the cases of new financing, mostly in connection with the purchase of an existing house.

Mr. MASON. We have people who are still trying to buy a new home for themselves, moving from an apartment, and a great many of these people are buying existing homes.

Senator THYE. Then may I ask, Mr. Chairman, this question: Assuming that a family does have a 2-bedroom home and they possibly paid \$12,000 for it and they have held it for 6 or 7 years, now they desire a 3-bedroom home or a 4-bedroom home, and they need it, and in that instance would they be recognized as being a new borrower when they take and turn their old home in and whatever equity they have in their old home turned into the new purchase? How is that handled?

Mr. MASON. That is a new transaction, buying what is for them a new house.

Senator THYE. And therefore you have a great many of World War II veterans that came out and bought the small homes at the time they were released from service, and they just had a very small family, and now their family is growing and their needs are greater and they turn this first purchase of which they have a substantial equity in to make that as a downpayment on a new purchase of a larger home, and that you would classify as a new purchase?

Mr. MASON. Yes, sir.

#### STIMULATION OF REAL-ESTATE MARKET

Senator DIRKSEN. I have one other question. As to that provision in the 1954 Tax Act which relieved a homeowner of capital gains tax, where he sold his dwelling and then bought a new dwelling, to what extent has that stimulated activity in the real-estate market? Are there any precise figures on that?

Mr. MASON. It has stimulated it, sir.

Mr. THORNTON. That is the main answer, that it certainly has. It has had an influence in encouraging just the sort of transaction which you are speaking of, where the owner of an existing house can use the equity in his other house in buying a new one. So far as I know, there is no source of information on the total volume of such activities.

Senator DIRKSEN. I have one further question, then. I wonder if it will be possible somewhere from some agency to get some kind of data, and some figures on it, because it is contended now that that has greatly increased liquidity in the real-estate market. If that be true, then one might argue by analogy that a similar provision relating to equities in common stocks and other securities would increase liquidity there, and develop turnover, and probably make more money available in the market. But unless there is a figure base, I do not know how one can support that conclusion.

Mr. MASON. It is just opinion now, and certainly is not statistics. But this business of moving from the small house to the large house is repeated in the other manner, by some of the older people with their children grown who move from the large house into a smaller house, too.

Senator THYE. That is true, and now the man that buys this smaller house, that can be a first transaction there. So that you can have two actual veterans' transactions there, one leaving a smaller house



to a larger and another new man coming in or a new family and acquiring the obligations involved in the transaction of purchasing this home which even a veteran or a borrower was now disposing of.

Mr. MASON. That is correct.

Senator THYE. And you, as you say, may be desiring to go from a larger house to a smaller one, and you involve a first transaction there.

Mr. MASON. Yes, sir.

Senator ELLENDER. I notice in your statement here that this is to be used for an additional 214,500-unit application. What is the total?

Mr. BAZAN. The total number is 706,000, which is the revised estimate of our volume for the year.

#### INSURANCE AUTHORIZATION

Senator ELLENDER. Have you figured how much authorization you would have left after you comply with all applications?

Mr. BAZAN. The insurance authorization, I do not have the exact figures, but it is approaching exhaustion this year.

Senator ELLENDER. The question I wanted to develop was, do these applications come near exhausting what you now have or will it exhaust it?

Mr. BAZAN. I think the insurance authorizations will be exhausted in the course of this year, or more than exhausted by the 400,000-unit applications we expect to receive in the balance of this fiscal year.

Senator ELLENDER. Will you be doing work on these applications where the money may not be available? Or where you may not be authorized to do it?

Mr. BAZAN. I do not think so, Senator.

Senator ELLENDER. You are checking into that, I presume.

Mr. BAZAN. Yes; we are.

Senator DIRKSEN. You will probably be asking the banking committee to lift your authorization.

Senator ELLENDER. That is in the offing; it is coming.

Chairman HAYDEN. Are there any further questions? If not, we thank you.

#### FOREIGN CLAIMS SETTLEMENT COMMISSION

**STATEMENTS OF HENRY J. CLAY, ACTING CHAIRMAN; ROBERT A. KENNEDY, EXECUTIVE DIRECTOR; ANDREW T. McGUIRE, GENERAL COUNSEL; AND JULIUS M. KLEIZO, BUDGET OFFICER**

#### SUMMARY OF JUSTIFICATION

Chairman HAYDEN. The next item is the Foreign Claims Settlement Commission. This matter was considered in the House and we can include a summary of the justification in the record in this case. (The summary referred to follows:)

ADMINISTRATIVE EXPENSES, FOREIGN CLAIMS SETTLEMENT COMMISSION  
JUSTIFICATION

## GENERAL STATEMENT

The authority to expend unobligated balances of \$45,000 remaining after March 31, 1955, from funds appropriated to the Foreign Claims Settlement Commission and the additional \$130,000 is necessary to provide funds for the organization and administration of claims under Public Law 744 (Approved August 31, 1954). No administrative expenses have been appropriated for this purpose since Public Law 744 was passed after supplemental funds were made available.

Of the \$915,000 available during this year, \$770,000 will be required to complete old claims programs by March 31, 1955; \$100,000 of the remainder has been earmarked by Public Law 663 (approved August 26, 1954) for Korean claims expenses. The \$45,000 unobligated balance represents savings.

The \$175,000 for the fourth quarter, fiscal year 1955, is required to carry out the provisions of Public Law 744 in effecting an orderly transition from the old-claims program to the new, formulating new policies and procedures, developing new claims criteria, establishing administrative and fiscal controls and beginning the processing of claims.

The amount estimated is considered the minimum required for the fourth quarter, fiscal year 1955, for these purposes. This estimate is based on prior experience in instituting claims programs and will enable the Commission to carry out the program under Public Law 744 through to fiscal year 1956.

*01 Personal services, \$153,300*

Personal services attributable to Public Law 744 claims program is reflected in the following table showing the relationship to the current year appropriations. The net difference represents the amount of personal service funds required by the Foreign Claims Settlement Commission for the fourth quarter, fiscal year 1955, for activities under Public Law 744, including a proportionate share of terminal leave payments of approximately \$30,000 required to achieve the employment level required for fiscal year 1956.

	3 quarters fiscal year 1955 pres- ently avail- able	4 quarters fiscal year 1955 revised estimates	Difference (Public Law 744), in- crease (+)
Number of positions .....	200	200	
Average employment (man-years) .....	167	194	+27
Amount .....	\$790,340	\$943,640	+\$153,300
Less personal services (Korean claims) .....	87,700	87,700	
Net .....	702,640	855,940	+153,300

*02 Travel employees, \$4,000*

It is estimated that \$4,000 will be required during the fourth quarter for travel of employees in connection with the administration of claims programs and provide for the expenses of attendance at meetings.

*03-15 Other operating expenses, \$17,700*

The expenses under these objects will provide for the communication services, reimbursements to other governmental agencies for use of their facilities and services in carrying out the functions of the Commission, purchases of necessary supplies and equipment, payment of necessary taxes and other expenses necessary for the proper performance of the Commission during the fourth quarter, fiscal year 1955. The total cost will be \$30,000 of which \$17,700 will be for administration of Public Law 744 and the balance of \$12,300 for expenses of Public Law 615.

## SCHEDULE ON SUPPLEMENTAL APPROPRIATION AND REVISED ESTIMATES

*Administrative expenses, FCSC, Dec. 30, 1954, Foreign Claims Settlement Commission*

1. Present appropriation or estimate-----	\$915, 000
2. Additional amount available-----	— 45, 000
3. Total amount available-----	870, 000
4. Apportionments:	
1st quarter-----	250, 000
2d quarter-----	310, 000
3d quarter-----	210, 000
4th quarter-----	
Budgetary reserves-----	145, 000
5. Total apportionments and reserves-----	915, 000
6. Obligations:	
1st quarter (actual)-----	<sup>1</sup> 236, 715
2d quarter (estimated)-----	278, 285
3d quarter (estimated)-----	255, 000
4th quarter (estimated)-----	275, 000
7. Total actual and estimated obligation-----	1, 045, 000
8. Less total amount available-----	870, 000
9. Estimated supplemental required-----	175, 000
10. Estimated supplemental included in latest budget-----	175, 000
11. Date needed:	
For obligations, Apr. 1, 1955-----	
For expenditure, Apr. 1, 1955-----	
12. Estimated expenditures from supplemental:	
	<i>In budget</i> <i>Revised</i>
In current fiscal year-----	\$150, 000
In next fiscal year-----	25, 000
After next fiscal year-----	
Total-----	175, 000
13. Actual obligations last 3 months:	
September-----	\$82, 714. 77
October-----	93, 499. 12
November-----	90, 509. 83

<sup>1</sup> The rate of obligations for the first quarter of 1955 was held to \$236,715 because the \$400,000 provided in the 1955 Supplemental Appropriation Act was not available to the Commission until September. A more accurate level of quarterly obligations for the Commission, therefore, is indicated by the second quarter estimate, amounting to \$278,285.

## PREPARED STATEMENT

Chairman HAYDEN. Mr. Clay, do you have a prepared statement? It does not appear to be too long. Would you want to read it or do you prefer to have it included in the record?

Mr. CLAY. I would like to have it included in the record, if I may, and then point up several of the high points in it.

(The statement referred to follows:)

## STATEMENT OF MR. HENRY J. CLAY, COMMISSIONER, FOREIGN CLAIMS SETTLEMENT COMMISSION OF THE UNITED STATES

Mr. Chairman and members of the subcommittee, we are appearing before you today to request authorization to transfer from the war claims fund \$130,000, and to use unobligated balances from funds previously authorized, for administrative expenses during the period April 1, 1955, to June 30, 1955. The war claims fund



was created by section 13 (a) of the War Claims Act of 1948 (Public Law 896, 80th Cong., approved July 3, 1948).

The reason for this request rests in the fact that many new categories of claims were added to those originally authorized under the War Claims Act and its amendments by the enactment of Public Law 744 in the closing hours of the 83d Congress. At the same time, no provision was made for administrative expenses necessary in connection with the settlement of such claims. These new claims must be filed within 1 year following the date of enactment of Public Law 744 on August 31, 1954.

At the present time it appears that there will be a balance of \$145,000 remaining after March 31, 1955, out of a total of \$915,000 authorized by the 83d Congress for "expenses necessary to complete the activities of the War Claims Commission." Of this balance, \$45,000 represents a savings effected in the administration of the old claims settlement program, while \$100,000 represents that portion of the aggregate appropriation which the Congress allocated to the initiation of the program provided under the terms of Public Law 615, approved August 21, 1954, for administrative expenses in connection with compensation of Americans detained as civilian internees and prisoners of war during the Korean conflict.

Under the War Claims Act of 1948, as amended, the War Claims Commission, now the Foreign Claims Settlement Commission, was required to complete its activities not later than March 31, 1955. The Commission has taken great pains to carry out the mandate of the Congress in these respects, and yet function within stringent budgetary limitations. The earmarking of this \$100,000 item for expenses in connection with the Korean program has made this doubly difficult.

It will be recalled that the Congress further specifically provided that the funds shall not be available for obligation after March 31, 1955. A recent decision of the Comptroller General has determined that the restriction on the obligation of these funds does not extend to the \$100,000 item because of the manner in which the Congress designated its use, whereas it was determined on the other hand that such restriction would apply to the \$45,000 item.

The Commission will complete its activities with respect to former war claims program on March 31, 1955, but will be unable to administer the new program authorized in Public Law 744 unless the requested funds are made available for payment of administrative expenses in the fourth quarter of the current fiscal year. Our request here today, then, is that the restriction with respect to obligating the \$45,000 item to which I have referred be removed, and that an additional \$130,000 be authorized for transfer out of the war claims fund for administrative expenses for use in getting these new claims programs underway.

The Commission now has on hand 63 claims filed pursuant to the new law. They include claims for detention benefits by certain civilian internees heretofore ineligible to receive such payments, claims of American citizens captured and held as prisoners of war in World War II while serving in Allied forces, claims of American merchant seamen who were detained by hostile forces during World War II and who were ineligible under the basic provisions of the act, and claims for reimbursement for losses resulting from the sequestration of bank accounts and other credits in the Philippines by the Japanese in World War II. These are the four broad categories of claims authorized to be paid from the war claims fund. The Commission has estimated that 2,283 additional claims will be filed in these 4 categories between now and July 1, 1955.

The Commission has presently distributed an aggregate of 2,325 claim applications to known potentially eligible claimants under this program and is receiving inquiries and requests for applications at an average daily rate of 75. Of course, this does not adequately reflect the total number of such inquiries and requests which must be examined, searches made, and consideration given in determining potential eligibility, since many telephone inquiries and congressional calls must be handled and processed. In addition, a great percentage of these inquiries are for immediate rejection. However, the necessary work must be and is being performed.

In closing, I wish to earnestly ask that this committee grant favorable consideration to the request made here today to enable the Commission to make an orderly transition from the completion of the old program on March 31, 1955 to these new categories of claims on April 1, 1955.

I am accompanied by members of the Commission staff who will assist me in furnishing any specific and technical data you may require.

## FUNDS REQUESTED

Chairman HAYDEN. Mr. Clay, you may proceed.

Mr. CLAY. Mr. Chairman, we are here today to request from this committee funds to operate this Commission from April 1, 1955, to June 30, 1955, in order to enable the Commission to process new claims assigned to it from the last Congress under Public Law 744.

We are asking for \$175,000 to employ 167 people. The \$175,000 comprises a \$45,000 carryover or estimated saving from the third quarter. We are asking that the remainder of that \$175,000 figure, namely \$130,000, be applied to the expenses of the Commission. These funds come from the war claims fund which, as you know, sir, is comprised of unappropriated funds.

The House committee cut our request in this regard from \$130,000 to \$90,000. We submit to you, sir, that if this cut should stand the present program that has been set up to terminate on March 31, 1955, the possibility of completing it will be seriously hampered, and furthermore that the two programs under Public Law 615 and Public Law 744 will be necessarily delayed.

In this figure of \$130,000 there are aspects of terminal leave from reductions in force that we have already instituted in the course of the bringing together of the War Claims Commission and the International Claims Commission under the President's Reorganization Plan No. 1 of 1954, under which this present Commission, the Foreign Claims Settlement Commission of the United States, is presently operating.

In addition to that, we have integrated the two Commissions, an cut down to what we believe is a bare necessity to operate under the existing laws.

## AGREEMENTS COMPLETED

I say to you in addition that we are here in good faith because a Senator Ellender remembers last year I came to you and told you as the then Acting Chairman of the International Claims Commission that we would complete the Panamanian and Yugoslav agreements. The Yugoslav agreement, much to everybody's surprise, was completed by December 30, 1954.

In addition to that, we have the three remaining claims programs under the War Claims Commission, which have been transferred to this Commission, which we propose to complete by March 31, 1955, and I say, again, to you, Senator, that these can be completed with the necessary funds.

Senator ELLENDER. If we give you the amount of money you now ask, you will be able to wipe it all out on the 31st of March 1955?

## COMPLETION OF CLAIMS PROGRAMS

Mr. CLAY. Senator, we will be able to complete those three claims programs by the termination date on March 31, 1955, and in addition to that we believe that it will provide us with the experienced personnel to undertake the administration of these two new laws which were passed by the 83d Congress, assigned to this Commission for administration, and by the termination of those dates with these funds we will be able to complete those programs on time.



Senator DIRKSEN. Mr. Clay, where are you now on these claims of internees and others? You have jurisdiction of that, all of those who had a claim under the old act for extra compensation where they may have been interned in enemy prison camps.

Now, let me amplify. We appropriated \$75 million, as I recall, to make sure that there were funds to complete all of those claims, both individuals and also the religious organizations in the Philippines, and elsewhere. That was on the theory that that \$75 million should be reimbursed out of moneys derived from the liquidation of property that we took over under the Trading With the Enemy Act.

Now, what is the status of that situation?

#### PHILIPPINE PROGRAM

Mr. CLAY. There are three programs presently existing, which are scheduled to terminate on March 31, 1955. There is the religious group of claims in the Philippines.

Senator DIRKSEN. Just take that one for a moment. Some of those were up for reexamination, as I recall.

Mr. CLAY. That is correct.

Senator DIRKSEN. Have they been adjudicated now?

Mr. CLAY. The Chairman of this Commission, Whitney Gilliland, of Iowa, is presently in the Philippines. He is looking over the properties on the spot. We have every reason to believe, and when he left he had every reason to believe, that that program would be terminated on time on March 31, 1954, of this year.

Now, the funds that we are talking about at this moment are sufficient funds to carry through the existing program including the Philippine program, but also these two new programs that have been assigned by the Congress. Now, I say to you, Senator Dirksen, that as you know when there is a possibility of a reduction in force in a Commission we necessarily have to take into consideration problems of terminal leave and the human problem that our experienced personnel when they know a Commission is going out of business are going to look around for another job someplace else. Undoubtedly, if we are cut as the House proposes to cut, this figure that we have asked for, the present program which we tell you we can complete and which I come to you and say we can complete, will be seriously hampered. In addition to that, the history of extensions will probably be again before us, under Public Law 744, and Public Law 615, if we cannot get at this time a program off to a substantial start, with experienced personnel and with the opportunity to receive claims on time.

We, under Public Law 744, are to receive applications within 1 year of the passage of 744, and we are to close out or phase out that program 2 years from the date it was passed. That program was passed or commenced with the passage of 744 on August 31, 1954. That means by the time that we get these funds, 7 months will already have elapsed and we will have as far as the filing of claims only the 5 additional months of which we have funds to actually receive and accept these claims. We still feel that with the burden of receiving these inquiries and without an opportunity of answering them, that we can still successfully complete these claims on time if we have the funds that we are coming here today for.



Chairman HAYDEN. On the other hand, if this is not done, that means that claims, then that ought to be disposed of, will not be disposed of in time, and in the end will cost us more than the difference between \$90,000 and \$130,000 in your judgment?

Mr. CLAY. Let me answer it in this way. There is an old saying that knowledge without imagination is like a bird without wings. The history of these Commissions has been that there have been delays for one reason or another. I do not think that you can put your finger on any one of them, but I will say that probably one of the big problems has been that they have never had an opportunity to get off to the right start, and without funds we quite obviously cannot get off on a right start.

We have had admonitions about applying funds from one program to institute and undertake another program, and we certainly do not want to get mixed up in that. But we say to you, Mr. Chairman, that we come here in all good faith, and say to you and put you on notice, that if we do not have these funds, we cannot do the job that you have asked us to do.

Senator DIRKSEN. Actually, in terms of transfer, you are asking for \$130,000?

Mr. CLAY. Yes, sir, from the war claims fund which is the fund that you suggested, the frozen assets of the Axis Powers. They are unappropriated funds.

Senator DIRKSEN. Then you are asking for the use of unobligated balances?

Mr. CLAY. Unobligated balance of \$45,000, which we estimate to be saved from the third quarter; that is correct, yes, sir.

Chairman HAYDEN. Are there any further questions? If not, we thank you gentlemen.

Our friend, Mr. Hushing, is here and wants to be heard on this same matter.

LEGISLATIVE COMMITTEE, AMERICAN FEDERATION OF LABOR  
GENERAL STATEMENT

**STATEMENT OF W. C. HUSHING, CHAIRMAN**

Mr. HUSHING. My name is W. C. Hushing, the chairman of the national legislative committee of the American Federation of Labor. I have been interested in this matter of the War Claims Commission since immediately after World War II began. A considerable number of our building tradesmen were captured in Wake and other South Pacific islands. They had contracts which provided for their housing, their food, their hospitalization, and entertainment such as movies, and their laundry. The contract provided that they would get that from the time they left the mainland until they were returned to it. However, as soon as they were captured, our Government canceled the contracts and it became necessary for us to come to Congress and get that money for them, which we did. There were 400 captured on Wake, and, by the way, those fellows on Wake picked up rifles and fought right along with the Marines, and the Japs were going to shoot them, until they found out their ability as workmen, so they sent 300 to Japan and retained 100 on Wake. The treatment they received in

Japan was terrible. They had to eat principally rice, and I have had committees in my office from them and they told me that the Swiss, a neutral government, would advance them a little small change to buy fishheads in order to season the rice they ate, but those that were returned suffered from malnutrition, many of them are still in the hospitals, and many of them that are out of the hospitals are unable to work at their trades anymore.

## HOUSE ACTION

I would say the majority of them are in dire need of this money. However, last year, this Claims Commission which then only had 195 employees was obliged to cut one-third of their employees off as of December 31 last year. Now, then, this year if this cut made by the House of \$40,000 in this supplemental appropriations is made, they will have to lay off 33 more. They will be experienced personnel and they are just beginning to process the claims in which I am interested, and I do hope that the committee can restore the full amount of the budget.

That is all. Thank you.

## PREPARED STATEMENT

Mr. HUSHING. I have a statement which I will hand to the reporter. Chairman HAYDEN. That will be incorporated in the record. (The statement referred to follows:)

## PREPARED STATEMENT OF W. C. HUSHING, CHAIRMAN, LEGISLATIVE COMMITTEE, AMERICAN FEDERATION OF LABOR

On January 7, 1955, there was transmitted to the House of Representatives a request for an urgent deficiency appropriation bill which in part contained a request for \$130,000 in new money for use for administrative expenses by the Foreign Claims Settlement Commission during the fourth quarter of fiscal year 1955. Hearings on the request were conducted before the Independent Offices Subcommittee of the House Committee on Appropriations on January 13, 1955, emergency appropriation bill, H. R. 2091, was reported to the House by the Appropriations Committee and by virtue of House action passed on the same day. The bill as reported by the committee and passed by the House, reduced the request for \$130,000 to \$90,000.

In order to operate within the limited administrative expense funds available to it, the Foreign Claims Settlement Commission as of December 31, 1954, was required to severely retrench by a reduction in force of some 65 members of its staff, or nearly one-third of its total complement. The reduction of \$40,000 in relation to the present request for the fourth quarter of fiscal 1955 represents, in terms of personnel, a further reduction of some 33 members of the staff from a present complement of 167 to 134.

Moreover, at the average annual leave rate experienced during calendar year 1954, an additional reduction of \$13,000 over and beyond the \$40,000 will have to be considered, presenting a real net reduction in estimate of \$53,000. In this respect, it should be immediately clear that a further reduction in force will become necessary almost at once thus impairing the present efforts of the Commission to wind up the old war claims program by March 31, 1955, as required by law, as well as precluding it from meeting the objectives set with respect to the new claims settlement programs provided under Public Laws 615 and 744 by the 83d Congress. That these objectives cannot be unduly delayed is highlighted by the fact that the time for filing claims under the new programs expires on August 21 and 31, 1955, respectively, and that both programs must be completed by August 21 and 31, 1956, respectively. With such time-limiting factors involved it would appear that it may be impossible for the agency to complete the programs

within the allotted periods if adequate administrative expenses are not provided. Such an impasse could only result in a request for an extension of time within which to wind up these new programs. Consequently, it would further appear that a reduction in the staff of the Commission at the present time would only be offset by an extension of the time within which it would complete its activities on a reduced-staff basis.

Chairman HAYDEN. We will adjourn at this time.

(Whereupon, at 12 noon, Friday, January 14, 1955, the hearing was adjourned.)



# URGENT DEFICIENCY APPROPRIATION BILL, 1955

MONDAY, JANUARY 17, 1955

UNITED STATES SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, D. C.*

The committee met, pursuant to recess, at 10:30 a. m., in room F-37, the Capitol, Senator Carl Hayden (chairman) presiding.

Present: Chairman Hayden, Senators Ellender, Robertson, Holland, Stennis, Clements, Saltonstall, Young, Dworshak, Dirksen, and Potter.

## COMMISSION ON INTERGOVERNMENTAL RELATIONS SALARIES AND EXPENSES

### STATEMENT OF G. LYLE BELSLEY, EXECUTIVE DIRECTOR, COMMISSION ON INTERGOVERNMENTAL RELATIONS; AND FRANK A. JACKSON, ADMINISTRATIVE OFFICER, COMMISSION ON INTERGOVERNMENTAL RELATIONS

#### JUSTIFICATION AND SUPPLEMENTAL ESTIMATE

Chairman HAYDEN. The committee will come to order. We have before us a budget estimate submitted after the bill passed the House. It provides for an additional amount for salaries and expenses, \$160,000, for the Commission on Intergovernmental Relations, provided that said appropriations shall remain available until June 30, 1955, and provided further that this paragraph is effective only upon the enactment into law of H. R. 2010, 84th Congress. We will place the proposed bill in the record, the justification and the supplemental estimate.

(The material referred to follows:)

[H. R. 2010, 84th Cong., 1st sess.]

A BILL To amend the Act of July 10, 1953, which created the Commission on Intergovernmental Relations.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (c) of section 3 of the Act of July 10, 1953, entitled "An Act to establish a Commission on Intergovernmental Relations", is hereby amended to read as follows:

"(c) The Commission, not later than June 1, 1955, shall submit to the President for transmittal to the Congress its final report, including recommendations for legislative action; and the Commission may also from time to time make to the President such earlier reports as the President may request or as the Commission deems appropriate."

SEC. 2. Section 6 of such Act of July 10, 1953, is hereby amended to read as follows:

#### "TERMINATION OF THE COMMISSION

"SEC. 6. The Commission shall cease to exist at the close of business on June 1, 1955."

## JUSTIFICATION OF ESTIMATE FOR ADDITIONAL FUNDS TO JUNE 30, 1955

The Commission on Intergovernmental Relations was established by Public Law 109, approved July 10, 1953 (67 Stat. 145; 5 U. S. C.), to study and investigate the following problems: The proper role of the Federal Government in relation to the States and their political subdivisions; an adjustment of intergovernmental fiscal relations; justification for existing Federal-aid programs, possible extension of Federal aid, possible limitation of Federal control connected with Federal aid.

The Commission was activated in the fall of 1953, and for a period of time during the early part of 1954 was without a Chairman. Its existence was extended by Public Law 302, 83d Congress, approved March 1, 1954. Because of unavoidable delays and problems, the Commission cannot complete its activities on March 1, 1955, as earlier contemplated. The President has recommended, and the Commission has sought, a further extension of the act under which the Commission was created. This is essential to give some additional time to complete its work satisfactorily. H. R. 2010 seeks to accomplish this purpose by extending the life of the Commission to June 30, 1955. With such an extension, the Commission will require some additional funds. It will also be necessary to remove the March 1, 1955, limitation on the expenditure of Commission funds presently carried in the Supplemental Appropriation Act, 1955 (Public Law 663, 83d Cong.).

The Commission is undertaking a thorough survey of intergovernmental relations in the United States. In carrying forward its work, the Commission is drawing upon facts, views, and judgments from many and varied sources.

Meetings of the Commission have generally been held monthly until recent months when it has been found advisable to hold them about twice a month. It is contemplated that the Commission will meet more frequently as the climax of its work is approached. Subcommittees organized from within the Commission's membership have been a fruitful source of ideas and facts. They have been particularly valuable in dealing with problems of natural disaster relief, the financial aspects of grants-in-aid, and the principles that have guided the development of the American Federal system. In addition, a research staff provides fact finding and analysis for the Commission and gives some assistance to special study committees. For example, special staff studies have been completed or are under way dealing with intergovernmental relations problems in such fields as civil defense and urban vulnerability, vocational rehabilitation, Federal aid to airports, and housing.

Study committees have been established to consider problems in such fields as highways, public health, education, welfare, agriculture, natural resources and conservation, unemployment compensation and employment service, and payments in lieu of taxes. In addition, a special study committee has reviewed intergovernmental relations problems of local governments.

Many study committees have already submitted recommendations to the Commission for its consideration. Others have not yet completed their activities and require additional time. In all instances, the study committees have been held in standby status to review and consider problems which may be referred to them by the Commission after the latter has given appropriate consideration to committee suggestions.

As background for the development of its recommendations, the Commission has sought facts and views from many additional sources. For example, it contracted with private management consulting and research organizations to make special studies in a representative group of States to develop the fiscal and administrative impact of Federal grant-in-aid policies upon the States and their political subdivisions. In addition, official commissions have been set up in over 20 States to review intergovernmental relations at the State level. Voluntary citizen committees on intergovernmental relations have been established in many of these same States and in others. Altogether more than 40 groups in over 30 States have been created. Several of these groups have made extensive and helpful recommendations. This widespread citizen participation in the Commission's work has been of great value.

Hundreds of organizations, agencies, and individuals have contributed to the task of the Commission. Commission members, professional staff members, study committee members, and organizations performing work for the Commission under contract have consulted orally or in writing) business and professional groups, labor organizations, and welfare, civic, municipal, and State personnel. Interest in the work of the Commission is widespread throughout the country.

The Commission is now considering, digesting, and organizing information and suggestions from these many sources and is beginning the difficult process of for-

mulating its conclusions and recommendations. It will be impossible to reach final decisions by March 1, 1955, in part because of past problems and in part because of the magnitude and comprehensive character of the Commission's task. To finish on June 30, 1955, it is contemplated that the Commission's activities will be carried forward at an intensified pace.

During the next several months the work of the study committees will be brought to a conclusion and the special studies and analyses now being made by the staff will be completed. During this period, too, the Commission will prepare an overall report on intergovernmental relations that should be an important and significant guide to Federal relations. In completing its work, the Commission hopes to continue its practice of consulting freely with individuals and groups who can contribute to the accuracy of its materials and the soundness of its findings.

The Commission presently plans to publish, and to release simultaneously with issuance of its report, the full or summary reports of its study committees and of materials drawn from the special studies made for it by private management consulting and research organizations. These documents will constitute a major source of information and recommendations about intergovernmental relations for many years to come.

#### ADDITIONAL FUNDS NEEDED

Of the \$559,181 available for expenditure from July 1, 1954, to March 1, 1955, \$285,434 was obligated as of December 31, 1954, leaving a balance of \$273,747. It is estimated that an additional \$160,000 will be required to complete the Commission's work by June 30, 1955. Although the balance available for the last 6 months of the fiscal year is only a few thousand dollars less than the obligations for the first 6 months, the obligation rate during the first 6 months did not include major items of expenditure, such as printing and distribution of reports, terminal leave, etc.

Tabulated below are the obligations as of December 31, 1954, estimated additional obligations from January 1, 1955, to June 30, 1955, and the total estimated obligations for fiscal year 1955.

	Obligations, July 1, 1954, to Dec. 31, 1954	Estimated additional obligations, Jan. 1, 1955, to June 30, 1955	Total estimated obligations for fiscal year 1955
01 Personal services.....	\$175,050	\$213,950	\$389,000
02 Travel.....	55,107	56,393	111,500
04 Communications.....	6,628	13,772	20,400
05 Rents and utilities.....	689	311	1,000
06 Printing and reproduction.....	11,941	122,163	134,104
07 Contractual services.....	31,025	21,475	52,500
08 Supplies and materials.....	2,393	2,284	4,677
09 Equipment.....	1,522	1,478	3,000
15 Taxes and assessments.....	1,079	1,921	3,000
Total.....	285,434	433,747	719,181

Outlined below by object class is a brief explanation of the estimate for the last 6 months of the fiscal year.

#### 01 *Personal services, \$213,950*

During the last 4 months of calendar year 1954, our obligations for personal services was approximately \$31,000 per month. It is proposed to continue at this rate through June 30, 1955, and to add additional editorial staff and a printing technician at a cost of approximately \$10,000. The estimate also includes \$18,000 for payment of terminal leave.

#### 02 *Travel, \$56,393*

Two meetings of the Commission have been scheduled for January. With the exception of February, it is contemplated the Commission will meet on an average of at least twice monthly to June 30, 1955, and possibly more frequently as the climax of its work approaches. \$18,700 has been included for this purpose. Although many of the study committees have submitted their recommendations, others have not completed their work. It is estimated that the cost of travel of study committees and special review groups will be approximately \$21,000.

Travel of Commission members to other than Commission meetings, travel of staff members and consultants is estimated at \$17,000.



04 *Communications, \$13,772*

Based on actual experience during the last 4 months, the estimate includes \$8,400 for regular communication costs during the 6-month period. In addition, \$5,400 for postage for distribution of reports is included.

05 *Rents and utilities, \$311*

This estimate has been reduced below previous 6-month average.

06 *Printing and reproduction, \$122,163*

This estimate includes approximately \$15,000 for routine reproduction costs and is based on the obligation rate for this object class during the past 4 months. In addition to the full Commission report, the Commission presently plans to publish the full or summary reports of its study committees and of materials drawn from the special studies made for it by private amangement, consulting and research organizations. Various staff papers will also be published. Approximately \$107,000 has been included for printing of reports.

07 *Contractual services, \$21,475*

This estimate includes approximately \$13,000 reimbursement to other Government agencies for the furnishing of administrative services, including auditing, accounting, payrolls, library, and mailing service. \$7,000 is included for stenographic reporting of meetings and approximately \$2,000 for miscellaneous contractual services.

08 *Supplies and materials, \$2,284*

This estimate is based on our experience over the past 6 months.

09 *Equipment, \$1,478*

The Commission proposes to purchase two calculators and one transcribing machine, which it has on a rental basis. This purchase will permit taking advantage of applying the rental costs already paid.

15 *Taxes and assessments, \$1,921*

This estimate is based on anticipated payroll costs.

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington 25, D. C., January 14, 1955.

The PRESIDENT,

*The White House.*

SIR: I have the honor to submit herewith for your consideration a proposed supplemental appropriation for the fiscal year 1955 in the amount of \$160,000 for the Commission on Intergovernmental Relations, as follows:

"INDEPENDENT OFFICES

"COMMISSION ON INTERGOVERNMENTAL RELATIONS

"Salaries and Expenses

"For an additional amount for 'Salaries and expenses', \$160,000: *Provided, That said appropriation shall remain available until June 30, 1955: Provided further, That this paragraph shall be effective only upon the enactment into law of H. R. 2010, Eighty-fourth Congress.*"

Legislation to extend the termination date of the Commission on Intergovernmental Relations from March 1 to June 30, 1955, is pending in the Congress. The above amount is necessary to finance expenditures of the Commission for the additional 4 months.

I recommend that the foregoing proposed supplemental appropriation be transmitted to the Congress.

Respectfully yours,

ROWLAND HUGHES,  
*Director of the Bureau of the Budget.*

## GENERAL STATEMENT

Chairman HAYDEN. Mr. Belsley, representing the organization is here. We will be glad to hear you, sir.

Mr. BELSLEY. Mr. Chairman, this arises because of a combination of factors. First, as you are aware, the President in his state of the Union message requested the extension of the act that created the Commission on Intergovernmental Relations. That act now expires on March 1, 1955. The Commission, at a January 8 meeting, decided to seek an extension of its existence, until June 30 of this year. This has been provided for in H. R. 2010 which has been introduced in the House. The Supplemental Appropriation Act for 1955 which provides our present funds carried in it a provision that makes the funds available only until March 1, 1955, which is a very logical provision in the Appropriation Act since that was the terminal date for the Commission's existence. But if the Commission is to be extended, not only would that terminal date for the use of funds have to be removed, but some additional funds would be required to carry the Commission until June 30, 1955.

It has been estimated by us, and processed through the Bureau of the Budget, that we would require an additional amount of \$160,000 for that purpose. At the end of the calendar year, that is, on December 31, 1954, there was a balance of a little over \$273,000 available to us. There will be several items in the last part of this fiscal year that are not reflected in any past experience of ours. One of them is the printing of our reports. We estimate that the printing of the various study committee reports of the Commission and of the Commission's final report will amount to about \$107,000. There is an item for terminal leave of \$18,000, which we have not faced heretofore. We will also require some additional postage for the mailing and distribution of our reports. This brings the total additional funds that we would require to \$160,000, making available for the fiscal year a total of \$719,181. If I could answer any questions, I would be delighted to do so.

## APPOINTMENT OF STUDY COMMITTEES

Senator ELLENDER. You have been at work now for over a year, so what have you accomplished?

Mr. BELSLEY. Senator, let me point out there have been a number of study committees appointed, and I would like to name them. There has been a study committee appointed on highways, one on agriculture, one on conservation and natural resources, another one on public health, still another on education, another on welfare, one on unemployment compensation and employment services, and one on payment in lieu of taxes.

In addition, there is a study committee to look at intergovernmental relations through the eyes, and from the standpoint of, local governments.

Senator ELLENDER. All you have done, then, is appoint these committees and let them study in the respective fields?

Mr. BELSLEY. No, we have gone further than that. These study committees have been at work. Many of them have reported. A few of them still must report; they have not completed their work. We have asked all of them, even where they have reported and sub-

mitted their recommendations to the Commission, to stay in standby status so that as the full Commission considers their reports, and has new questions raised in its mind, it can toss those questions back to the study committees for further review. Most of these study committees have reported recommendations either finally or tentatively to the Commission.

Senator ELLENDER. That was in anticipation of making their final report in March of this year?

Mr. BELSLEY. That is right, although not all of the study committees have completed their work. There is another one, I might add, on law enforcement, which was recently appointed. In addition to that, of course, the staff of the Commission has been at work preparing analyses and information for the Commission, and a number of staff papers have been prepared in various areas such as Federal aid to airports, housing, vocational rehabilitation, and others.

Senator ELLENDER. How much have you broadened the work of your Commission since its organization?

Mr. BELSLEY. I am not sure I understand.

Senator ELLENDER. You started out to do certain work. Recently you said you added another committee, did you not?

Mr. BELSLEY. I see your point.

Senator ELLENDER. Will you continue that or will you come back here for another appropriation?

Mr. BELSLEY. Not at all. It was always contemplated that there might be a number of quick additional studies. The law enforcement committee that I mentioned was in this category. It is unlike the others. It was made up of only four members. We did not expect them to come up with solutions for us, but to identify problems in the field of law enforcement which the Commission might tussle with. But no additional study committees are contemplated.

Senator ELLENDER. In addition to the \$160,000, I presume you are asking that the money that has not been spent be carried over?

Mr. BELSLEY. Yes.

Senator SALTONSTALL. May I ask two questions?

Chairman HAYDEN. Certainly.

#### TERMINAL-LEAVE PAYMENTS

Senator SALTONSTALL. Why do you need \$18,000 for payment of terminal leave? Why, on a temporary Commission of this kind, with temporary employees, do you need to pay terminal leave?

Mr. BELSLEY. The employees are temporary in the sense that the Commission is temporary and they have no position with the Commission after it goes out of existence. Many of them were employed or transferred from other Government agencies and brought leave with them. They have accumulated that leave, not only at the Commission but with other agencies.

Senator SALTONSTALL. Will they not go back to those departments?

Mr. BELSLEY. We have no assurance of that, sir. There was no arrangement when they were employed, with one or two exceptions, that they would go back to the regular agencies.

#### PURCHASE OF EQUIPMENT

Senator SALTONSTALL. Then there is a very small item of \$1,478 for the purchase of equipment. You have 2 calculators and 1 tran-



scribing machine which you are now renting and you are only going to run another 6 months. Why buy them? Why not let the General Services Administration buy them if they want to, when you are through? If this Commission buys them, and then ends in July, it has to sell them or turn them over to the Government.

Mr. BELSLEY. We have already paid rental for them over a period of time, and a part of that rental could be applied to their purchase. It was the thought of the administrative people that it was to the advantage of the Government to make that purchase rather than continue to pay rent.

Senator SALTONSTALL. If you continue to pay rent, will the Government not buy them at a lower figure later on?

Mr. JACKSON. If we get some agency to do so.

Senator SALTONSTALL. It is a very small matter, but it seems to me you are taking on a responsibility there that belongs to the General Services Administration.

Senator ROBERTSON. May I ask a question?

Chairman HAYDEN. Yes.

#### PAY SCHEDULE

Senator ROBERTSON. Do you have with you your pay schedule?

Mr. BELSLEY. On individual employees?

Senator ROBERTSON. Yes.

Mr. BELSLEY. No, sir, I do not, but I can tell you approximately what it is.

Senator ROBERTSON. I would like to know how many are getting \$15,000 and how many are getting \$12,000 and so forth. I know these former employees in the regular department would not transfer to a temporary position and accept a decrease in pay.

Mr. BELSLEY. Senator, there is only one getting \$15,000, and that is myself. All of the others are at a lower rate than that. There are some consultants at \$40 a day, and some at \$50 a day. They are generally part time.

Senator ROBERTSON. I would suggest, Mr. Chairman, that he just file the whole pay schedule for the record.

Mr. BELSLEY. I would be delighted to do so. There is no reason why we should not.

(The information referred to follows:)

#### *Commission on Intergovernmental Relations, pay schedule as of Jan. 1, 1955*

	<i>Per annum</i>		<i>Per annum</i>
1 Executive Director.....	\$15, 000	1 secretary.....	\$4, 545
1 Deputy Research Director...	13, 500	1 shorthand reporter.....	4, 330
1 Assistant Director of Research.....	12, 000	1 shorthand reporter.....	4, 205
1 Assistant Director of Research.....	11, 000	3 secretaries.....	4, 205
1 research associate.....	11, 000	1 secretary.....	4, 105
1 administrative officer.....	9, 360	6 secretaries and stenographers...	3, 660
2 research associates.....	8, 500	1 statistical clerk.....	3, 660
1 research associate.....	7, 500	1 statistical clerk.....	3, 175
1 research assistant.....	7, 500	4 typists.....	3, 175
1 research assistant.....	6, 000	1 mail clerk.....	3, 110
1 secretary.....	5, 185	1 messenger.....	3, 032
1 publications editor.....	5, 060	2 typists.....	2, 950
1 records officer.....	5, 060		
2 secretaries.....	4, 705		<i>per day</i>
1 research assistant.....	4, 620		<i>(WAE)</i>
		11 consultants.....	\$50
		1 consultant.....	44
		4 consultants.....	40

## SUBMISSION OF FINAL REPORT

Chairman HAYDEN. There is one question I wanted to ask.

The law under which you operate provides you report to the President on March 1, 1954, and he will transmit it to the Congress with recommendations. You want until June 30 to do that?

Mr. BELSLEY. That is correct.

Chairman HAYDEN. The law also provides that the Commission is to cease to exist 6 months after transmitting its report to Congress. What will you do in that 6 months?

Mr. BELSLEY. Senator, that was the original law. The law was amended once, by Public Law 302 of the 83d Congress. That extended the life of the Commission to March 1, of 1955, and also provided that on the same date the Commission would submit its final report.

Chairman HAYDEN. I notice in this bill that has been introduced by Mr. Hays of Arkansas that the Commission not later than June 1, 1955, shall submit to the President for transmittal to Congress its final report, including its recommendations, and so on. And then section 6:

The Commission shall cease to exist at the close of business on June 1, 1955.

So there is no 6-month period.

Mr. BELSLEY. I thought that was June 30, Senator.

Chairman HAYDEN. June 1 is printed here.

Mr. BELSLEY. That, I am sure, is an error.

Chairman HAYDEN. You better get it corrected, if it is.

Mr. BELSLEY. I am sure it is an error, unless we misunderstood.

Senator ROBERTSON. If I may ask, Mr. Chairman, if it expires in March, how long will it be operating?

Mr. BELSLEY. May I give a little history?

Chairman HAYDEN. Yes.

## ACTIVATION OF COMMISSION

Mr. BELSLEY. I give this, not having been associated with the Commission at the beginning at all. The Commission was established by Public Law 109 which was approved in July 1953. It was not until the fall of 1953 that the Chairman was appointed and the full membership of the Commission was designated and ready to get underway. Really, therefore, the Commission was activated only in the fall of 1953. It was supposed to report on March 1, of 1954. It was in February of 1954 that the former Chairman of the Commission left the Commission.

Chairman HAYDEN. That was Mr. Clarence Manion?

Mr. BELSLEY. Mr. Clarence E. Manion. Then there was some hiatus between Mr. Manion's departure and the arrival of the new Chairman, which was in April of 1954. After his arrival, there was the problem of appointing and revising the study committees, and appointing new ones that I have mentioned, and also of building staff, which was being built and organized during the spring and summer of 1954, and which reached a fairly stable level in about August or September of 1954. So this is the history, very briefly, of the Commission. It has been difficult in the sense that it has been in legal existence for a period that would seem to be longer than originally contemplated, but it really has not had an opportunity to

do its job over this entire period because of the organizational and personnel problems involved.

Senator YOUNG. May I ask a question? I do it because I think the best way to judge the caliber of the work done by a commission or committee is by its membership. Do you have a list of the members in the various committees?

Mr. BELSLEY. Yes.

Senator ROBERTSON. While he is looking, I want to make this postscript to that: Plus the activity of those members. You can put the best man in the world on that and if he does not do any work, he has to bring up the level of his job.

#### COMMITTEE MEMBERSHIP

Mr. BELSLEY. We might take, as an example, the Advisory Committee on Local Government. It was chaired by Mr. Sam Jones, the former Governor of the State of Louisiana, and a member of the full Commission. Another member of it was Glenn S. Allen, Jr., who is mayor of Kalamazoo. Another member was George H. Gallup, president of the National Municipal Association. Another one was William E. Kemp, who is mayor of Kansas City and president of the American Municipal Association. Another one is Tom Kleppe, vice president and treasurer of the Gold Seal Corp., Bismarek, N. Dak. Another one is Henry Pirtle, the mayor of Cleveland Heights. Another one is Elmer E. Robinson, the mayor of San Francisco, and president of the United States Conference of Mayors.

Senator ROBERTSON. Did you ever let the distinguished Senator Langer, from North Dakota, know that his State has been recognized?

Senator YOUNG. He picked out a very good man there.

Give us the Agricultural Committee when you get through with that, will you?

Mr. BELSLEY. Still another one was Hubert Schouten, the mayor of Keokuk. Another one is G. A. Treackle, county commissioner in Portsmouth, Va. The last one is Richard J. White, Jr., county commissioner of Milwaukee County, in Wisconsin. This is a very able committee.

#### AGRICULTURAL COMMITTEE

Chairman HAYDEN. Senator Young would like to have the membership of the Committee for the Department of Agriculture.

Mr. BELSLEY. I would be delighted to give him that information. The Chairman was R. I. Nowell, who is vice president in charge of the farm mortgage department of the Equitable Life Assurance Society of New York. Another member was Phillip F. Aylesworth, Special Assistant to the Secretary for Federal-State Relations in the Department of Agriculture. Another one was Edward J. Condon, vice president in charge of public relations of Sears Roebuck & Co. Another one is Fred B. Glass, president of the National Association of County Officials; Frederick Lawson Hovde, president of Purdue University and president of the Association of Land-Grant Colleges; W. C. Jacobsen, director of agriculture for the State of California; John A. Logan, president of the National Association of Food Chains; Herschel D. Newsom, master of the National Grange; Robert A. Rowan, chairman of R. A. Rowan & Co., in Los Angeles; Andrew F. Schoepfel,



Senator, who was a member of the full Commission. That is the membership of the committee.

Senator YOUNG. Could you not find one farmer in the whole United States outside of Mr. Newsom who would be qualified to serve on that committee?

Mr. BELSLEY. Well, sir, you ask me a question about a subject that I confess I had nothing to do with. I must answer this, however, by saying that I am confident that it was felt that Mr. Newsom could reflect some of the important farm views.

Senator YOUNG. He is a very good man, but I doubt if one farmer on a committee that big could take care of the farmer interests.

#### UNEXPENDED BALANCE

Chairman HAYDEN. I take it that because you got started so late, and did not get going until August, is the reason why you have a balance of \$272,000 unexpended.

Mr. BELSLEY. That is correct.

Let me be sure of this. During the summer of 1954, with the new chairman reporting for duty, and with the staff being reviewed, reorganized, and built, expenditures were not as great as later in the year after the staff reached a fairly stable level in August or September. That slower rate of expenditure early in the fiscal year is why we have balance that we have.

Chairman HAYDEN. I have here the United States Government Organization Manual for 1954 and 1955, which has the list of the membership of the Commission. If it is agreeable, I will place that into the record. Do you have one more recent?

Mr. BELSLEY. I think that may possibly be out of date. I am not sure whether it is or not, but here is an up-to-date list of the members of the Commission.

Chairman HAYDEN. We will put that into the record.

(The information referred to follows:)

#### COMMISSION ON INTERGOVERNMENTAL RELATIONS

The Commission on Intergovernmental Relations was established by Public Law 109, approved July 10, 1953. It is constituted of 25 members, 15 of whom are appointed by the President, 5 by the President of the Senate, and 5 by the Speaker of the House of Representatives. Members of the Commission are:

##### *Members appointed by the President*

Meyer Kestnbaum, *Chairman*

Alfred E. Driscoll  
Alice K. Leopold  
William Anderson  
Lawrence A. Appley  
John S. Battle  
John E. Burton  
Marion B. Folsom

Charles Henderson  
Oveta Culp Hobby  
Sam H. Jones  
Clark Kerr  
Val Peterson  
Allan Shivers  
Dan Thornton

##### *Members appointed by the President of the Senate*

Senator Guy Cordon  
Senator Andrew F. Schoeppel  
Senator Robert C. Hendrickson  
Senator Hubert H. Humphrey  
Senator Alton A. Lennon

##### *Members appointed by the Speaker of the House of Representatives*

Representative James I. Dolliver  
Representative Harold C. Ostertag  
Representative Angier L. Goodwin  
Representative John D. Dingell  
Representative Brooks Hays

## EXPENDITURES

Senator ELLENDER. When you say \$284,434 was obligated as of December 31, what do you mean by that? Was that amount spent?

Mr. BELSLEY. Spent or obligated.

Senator ELLENDER. Why would you need the \$106,000 plus the \$273,000 for about the same length of time as you had last year?

Mr. BELSLEY. Because there will be reflected in the last half of the fiscal year several expenditures that are not reflected in the first part of the fiscal year, such as for printing the number of reports, \$107,000, as I recall——

Senator ELLENDER. In addition to the \$122,000 that you set aside last year? According to the document before us, the estimated additional obligations are different.

Mr. BELSLEY. The \$122,000 that you are reading, Senator, is the additional obligation for printing and duplicating. It is not what has been obligated. You see, from July 1, 1954, to December 31, 1954, only \$11,941 was the amount.

Senator ELLENDER. Of the \$285,434 obligated as of December 31, 1954, how much of that sum is to be used to pay salaries in 1955?

Mr. BELSLEY. Let me be sure I understand your question, Senator. What was it again?

Senator ELLENDER. It is very simple. Of the \$285,434, that you obligated as of December 31, how much of that sum would be used to pay salaries?

Mr. BELSLEY. None of that. That is already either spent or obligated, and, therefore, is not carried over.

Senator ELLENDER. What other item aside from printing have you included in the \$285,434?

Mr. BELSLEY. None of the new money is included in the \$285,000. The \$285,000 is what has already been spent from July 1, 1954, through December 31, 1954.

Senator POTTER. And you do not have any obligated money in that \$285,000?

Mr. BELSLEY. That is all obligated. That is gone.

Senator POTTER. It is spent money, not obligated?

Mr. BELSLEY. It is spent or committed.

Senator ELLENDER. You should not have used the word "obligated," then. You spent it?

Mr. BELSLEY. Yes.

Chairman HAYDEN. Are there further questions?

Senator POTTER. Yes, Mr. Chairman.

How long could the Commission operate with the amount of funds that you now have available?

Mr. BELSLEY. The answer to that would have to depend on what we would do. If we would print no reports, of course we could operate for a longer period.

## FUNDS ON HAND

Senator POTTER. You have on hand \$287,000?

Mr. BELSLEY. \$273,000.

Senator POTTER. How much is it going to cost you to print the reports?

Mr. BELSLEY. It is not a report, but it is a series of reports which would include the study committee reports, plus staff papers, plus some of the State impact studies, where we had them made for us.

Senator POTTER. How much would that cost?

Mr. BELSLEY. That would cost about \$107,000.

Senator POTTER. \$107,000?

Mr. BELSLEY. That is right.

Senator POTTER. It would still leave you about \$107,000.

Mr. BELSLEY. Yes, but to that must be added the terminal leave obligation, to which is also added an amount of about \$5,400 extra for postage to distribute certain copies of the report.

Senator POTTER. How much is for postage?

Mr. BELSLEY. \$5,400. And also there is a slight item, it is small, to be sure, but it adds to the amount, for social-security deductions of employees that are not under the Federal retirement plan, and deductions for the group life insurance for employees. This is above the expenditures for the first 6 months.

Senator POTTER. Is it not true, in anticipating the windup of this Commission on March 1, that you will be laying off employees? I would assume you are doing that now. Is that not correct?

Mr. BELSLEY. We contemplate going at a continued rate right up to the end. If we were forced to submit a report on March 1, as contemplated in the law now, it would be necessary to submit a type-written report, put it on the President's desk, and disband the Commission with much left undone.

Senator POTTER. So you do not anticipate any phasing out or laying off?

Mr. BELSLEY. No, we anticipate this going pretty full blast through the life of the Commission. That is the only way that we can possibly finish on time.

Senator CLEMENTS. Do I understand you have sufficient money to wind up all your work if you ended on March 1?

Mr. BELSLEY. That is correct. If we had ended on March 1, we would have sufficient money to wind up. Yes, we would have sufficient money to wind up our work.

#### COMPLETION OF STUDIES

Senator CLEMENTS. How many of these studies will not be completed by March 1?

Mr. BELSLEY. By March 1, nearly all of them will be completed.

Senator CLEMENTS. They will be completed?

Mr. BELSLEY. We hope that nearly all of them can be completed by March 1.

Senator CLEMENTS. Why do you need more time, then?

Mr. BELSLEY. This does not mean that the Commission has acted upon them. I must say that up to the present time, the Commission has reached no final decision with respect to any of the reports that have been submitted to it to date. The Commission, as I stated, as it is stated in the justification, is in the middle of the process of arriving at decisions which it will make. It may or it may not agree with the recommendations of study committees.

Senator CLEMENTS. When was the first report made to the Commission?



Mr. BELSLEY. I do not have the record with me. I will have to make a guess, if you will permit that. I would guess that perhaps the first one was made in September. That was one of them. That was the report of the Advisory Committee on Local Government.

Senator CLEMENTS. You mean they have had a report since September and the Commission has taken no action upon it?

Mr. BELSLEY. That is correct. That was the Local Government Report.

#### PAY OF COMMISSIONERS

Senator ROBERTSON. What is the pay of the Commissioners who are to evaluate these reports?

Mr. BELSLEY. Well, 10 of them are Members of the Congress and receive no additional pay. There are 5 Senators and 5 Representatives. The other 15 members were appointed by the President. Four of them are Federal officials and receive no additional pay. Of the remaining ones, I am told by Mr. Jackson that there have been perhaps six members eligible for pay but they have not all drawn it.

Senator CLEMENTS. Mr. Chairman, as a new member of the committee I would like to direct a question to the chairman. Is it customary to act upon appropriations prior to the time of the enactment of the law extending a Commission?

Chairman HAYDEN. It frequently happens; yes. That is on the assumption that the law will pass. You will find in many appropriations bills conditions of that kind.

Senator ROBERTSON. It would be, Mr. Chairman, by unanimous consent, because I assume it would be subject to a point of order that you cannot appropriate without authorization.

Chairman HAYDEN. There is provision for an additional appropriation, but it is done where it is anticipated that an act will pass.

Senator YOUNG. That is only true when the authorization has been passed by one House. Have we ever appropriated money where the authorization has not passed either House?

Chairman HAYDEN. It is where a bill has passed one House, ordinarily. It is just a practical matter. It frequently happens toward the close of the Congress.

Senator SALTONSTALL. Mr. Chairman, is the purpose in doing it at this time, if we are to do it, to let the Commission plan this money appropriately and not be jammed up and then let down again?

Mr. BELSLEY. May I comment on that?

That is correct, Senator. That is what really gives rise to this. If we do not know what funds are available to us reasonably soon, then it is almost impossible to really plan intelligently and expeditiously for the rest of this period, and no other supplemental is coming along soon enough to really help us.

#### FUNCTION OF COMMISSION AFTER SUBMISSION OF REPORT

Senator POTTER. What is difficult for me to understand, Mr. Chairman, is what the committees will be doing after they have submitted their report.

You stated they anticipate the committees will have their reports submitted by the deadline in March, and then it will be up to the

Commission to act. What are the committees going to be doing while the Commission is acting?

Mr. BELSLEY. The committees will be held, as I pointed out, in standby status so that the Commission can refer problems back to the committees. There have been instances, as an example, where committee recommendations have come before the Commission, and, as they have been thrashed out by the Commission, the basis on which some of the recommendations of the committee were based was not clear to the Commission.

Senator POTTER. It would seem to me that even though that would happen, you would refer some of this work back to the committees again, that you would be in a position to start laying off some of your staff, some of your committee staff. You will not need the staff, for example, to reconsider work that you would need to go into the study in the first instance; would you?

Mr. BELSLEY. Senator, the committee members are virtually laid off, although some of them drew compensation. They are virtually laid off. They were compensated only on days worked and not all of them accepted pay. So they are not drawing pay. That is, the committee members, during this period, are not drawing pay.

Senator POTTER. But the committees have certain staffs.

Mr. BELSLEY. No, sir. Generally one staff member each from the Commission's staff and that is all that has been working with them.

Senator HOLLAND. I notice the only two remaining members of the Senate on the Commission are Senator Schoeppel and Senator Humphrey. Have they joined in this recommendation for the \$160,000 appropriation?

Mr. BELSLEY. That is my understanding; yes.

Chairman HAYDEN. The bill is introduced by Congressman Hays of Arkansas. He is a member of the committee.

Senator HOLLAND. Is there a similar bill in the Senate?

Chairman HAYDEN. No.

Senator HOLLAND. Mr. Chairman, off the record, please.

(Discussion off the record.)

Senator ROBERTSON. Mr. Chairman, are we going to have an executive session?

Chairman HAYDEN. Yes.

Are there any further questions?

If not, we thank you, sir.

(Whereupon, at 11:05 a. m., Monday, January 17, 1955, the hearing was recessed subject to call.)



















# Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(For Department Staff Only)

Issued January 11, 1955  
For actions of January 10, 1955  
84th-1st, No. 3

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SEE LAST PAGE

HIGHLIGHTS: House received proposal to increase CCC administrative-expense limitation. Both Houses received President's messages on: Foreign economic policy; activities under Agricultural Trade Development and Assistance Act; inclusion of escape clauses in existing trade agreements. Sen. Humphrey criticized handling of Ladejinsky case. Rep. Keating defended Administration's security program. Senate received Peterson nominations as Assistant Secretary of Agriculture and CCC Board member. Rep. Kean spoke in favor of President's foreign trade policy. Rep. Hope introduced bill to amend wheat-marketing quotas. Rep. Hope introduced bill to repeal tie-in of ACP and allotments. Rep. Whitten introduced bill to analyze legislative reports from Government agencies. Sen. Holland commended Secretary's service to agriculture.

## HOUSE

1. CCC APPROPRIATION. Received from the President a proposed provision for the fiscal year 1955 increasing by 7,290,000 (from 18,000,000 to 25,290,000) the administrative-expense limitation of CCC (H. Doc. 59); to Appropriations Committee (p. 180).
2. PRESIDENT'S MESSAGES. Both Houses received the President's message on foreign economic policy (H. Doc. 63); to Ways and Means and Finance Committees (pp. 125, 160-1). His message included a recommendation for a 3-year extension of the reciprocal trade program, special tax concessions to encourage U. S. investment capital to underdeveloped countries, streamlining of customs administration and procedure, and continuation of the technical cooperation programs. The following excerpt regarding agriculture was included in the message: "No single group within America has a greater stake in a healthy and expanding foreign trade than the farmers. One-fourth to one-third of some major crops, such as wheat, cotton, and tobacco, must find markets abroad in order to maintain farm income at high levels.  
"If they are to be successful, programs designated to promote the prosperity of agriculture should be consistent with our foreign economic program. We must take due account of the effect of any agricultural program on our foreign economic relations to assure that it contributes to the development of healthy, expanding foreign markets over the years."



Rep. Kean spoke in favor of the President's foreign trade policy (p. 169).

Both Houses received the President's message transmitting his first semi-annual report on the activities carried on under the Agricultural Trade Development and Assistance Act (H. Doc. 62); to Agriculture committees (pp. 125, 162).

Both Houses received the President's message transmitting a report on inclusion of escape clauses in existing trade agreements (H. Doc. 64); to House Ways and Means Committee and Senate Finance Committee (pp. 125, 169-70).

3. REPORTS. Received reports on an audit of the Future Farmers of America for the fiscal year 1954 and ICC operations (p. 180).
4. PERSONNEL. Rep. Keating defended the Administration's personnel security program (p. 170).
5. COMMITTEE ASSIGNMENTS. The following members were elected to the Appropriations Committee: Taber, N.Y.; Wigglesworth, Mass.; Jensen, Ia.; Andersen, Minn.; Horan, Wash.; Canfield, N.J.; Fenton, Pa.; Phillips, Calif.; Scrivner, Kans.; Coudert, N.Y.; Clevenger, O.; Wilson, Ind.; Davis, Wis.; James, Pa.; Ford, Mich.; Miller, Md.; Versell, Ill.; Hand, N.J.; Ostertag, N.Y.; Bow, O.;  
The following members were elected to the Ways and Means Committee: Reed, N.Y.; Jenkins, O.; Simpson, Pa.; Kean, N.J.; Mason, Ill.; Holmes, Wash.; Byrnes, Wis.; Sadlak, Conn.; Baker, Tenn.; Curtis, Mo.
6. LEGISLATIVE PROGRAM announced by Majority Leader McCormick: Tues., to receive President's message on "postal-civil-service pay Government group health"; Wed., in adjournment; Thurs., an emergency appropriation bill which includes a CCC provision (pp. 161-2).

#### SENATE

7. NOMINATIONS. Received the nominations of Ervin L. Peterson to be an Assistant Secretary of Agriculture and a member of the CCC Board of Directors (p. 151).  
Received the nomination of Joseph Campbell to be Comptroller General (p. 151).
8. PERSONNEL. Sen. Humphrey criticized the handling of the Ladejinsky security case and asked for "support and help from Senators on both sides of the aisle" in connection with a joint resolution which he intends to introduce providing for a joint commission to study the personnel security program (pp. 148-50).
9. REPORTS. Received the following annual and special reports: From the Committee on Government Operations the annual report on its activities (S. Rept. 4) (p. 129); operations under the Soil Conservation and Domestic Allotment Act for the fiscal year 1954; Office of Defense Mobilization's semiannual Statistical Stockpile Report for the period Jan. 1 through June 30, 1954; Tariff Commission's report for the period Oct. 1, 1953 through Sept. 30, 1954; Foreign Operations Administration's report, "The Revision of Strategic Trade Controls," for the first half of 1954; GAO's operations for the fiscal year 1954; and Future Farmers of America audit report for the fiscal year 1954; (pp. 125-7).
10. FORESTRY. Received from the Sec. of the Navy proposed legislation to authorize reciprocal fire protection agreements between U.S. departments and agencies and public or private organizations engaged in fire-fighting activities;

DRAFT OF PROPOSED PROVISION PERTAINING TO THE  
DEPARTMENT OF AGRICULTURE

---

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A DRAFT OF A PROPOSED PROVISION PERTAINING TO THE FISCAL  
YEAR 1955 FOR THE DEPARTMENT OF AGRICULTURE

---

JANUARY 10, 1955.—Referred to the Committee on Appropriations, and ordered  
to be printed

---

THE WHITE HOUSE,  
Washington, January 10, 1955.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to transmit herewith for the consideration of the Congress a draft of a proposed provision pertaining to the fiscal year 1955 for the Department of Agriculture.

The details of this proposed provision, the necessity therefor, and the reasons for its submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

DWIGHT D. EISENHOWER.

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
*Washington 25, D. C., January 7, 1955.*

The PRESIDENT,  
*The White House.*

SIR: I have the honor to submit herewith for your consideration a draft of a proposed provision pertaining to the fiscal year 1955 for the Department of Agriculture, as follows:

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

*The limitation under this heading in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955, on the amount available for administrative expenses of the Corporation is increased from "\$18,000,000" to "\$25,290,000".*

An increase of \$7,290,000 will be required in the administrative-expense limitation of the Commodity Credit Corporation to provide for increased administrative costs as a result of increased loan volume and to perform storage, inspection, maintenance, accounting, and other work in connection with the management and disposition of inventories acquired by the Corporation under the price-support program.

The Corporation has the task of managing and disposing of large inventories of agricultural commodities which have accumulated during the past few years and at the same time making settlements with thousands of producers, elevators, warehousemen, and others, incident to the acquisition of additional inventories from past-year crop operations. In addition, the Corporation must be in a position to provide price support through loans, purchases, and other means on current-year crops. The need for this increase arises principally out of an underestimation of (1) the complexity and amount of work involved in managing the disposing of huge inventories of agricultural commodities acquired under the price-support program, and (2) the volume of loan work in connection with 1954 crops of price-supported commodities.

On July 26, 1954, I apportioned the amounts available to the Commodity Credit Corporation for administrative expenses in the fiscal year 1955 on a basis which would indicate a necessity for an increase in the administrative-expense limitation. This action was reported to the Speaker of the House of Representatives and to the President of the Senate by my letters of July 26, 1954, in accordance with the provisions of paragraph 2 of subsection (e) of section 3679 of the Revised Statutes, as amended.

I recommend that the foregoing proposed provision be transmitted to the Congress.

Respectfully yours,

ROWLAND HUGHES,  
*Director of the Bureau of the Budget.*

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# Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(For Department Staff Only)

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**HIGHLIGHTS:** House passed bill to increase CCC administrative expense limitation and Repr. Whitten and others urged sale of surpluses at world prices. House made committee assignments.

## HOUSE

- 1. URGENT DEFICIENCY APPROPRIATION BILL, 1955.** Passed without amendment this bill, H.R. 2091, which had been reported by the Appropriations Committee earlier in the day (H. Rept. 3). The bill includes an item increasing the CCC administrative-expense limitation for the fiscal year 1955 by \$7,290,000 (from \$18,000,000 to \$25,000,000). Repr. Whitten, Jensen, and Gross claimed more surplus commodities should be exported at world prices. (pp. 229-32) Attached to this Digest are excerpts from the committee report on the bill.
- 2. COMMITTEE ASSIGNMENTS.** Majority assignments to the various standing committees were agreed to, including the following; Agriculture: Cooley (chairman), N.C.; Poage, Tex.; Grant, Ala.; Gathings, Ark.; McMillan, S.C.; Abernethy, Miss.; Albert, Okla.; Abbitt, Va.; Polk, O.; Thompson, Tex.; Jones, Mo.; Watts, Ky.; Hagen, Calif.; Johnson, Wis.; Anfusio, N.Y.; Bass, Tenn.; Knutson, Minn. and Jennings, Va.  
Appropriations: Cannon (chairman), Mo.; Mahon, Tex.; Sheppard, Calif.; Thomas, Tex.; Kirwan, O.; Norrell, Ark.; Whitten, Miss.; Andrews, Ala.; Rooney, N.Y.; Gary, Va.; Fogarty, R.I.; Sikes, Fla.; Fernandez, N. Mex.; Preston, Ga.; Passman, La.; Rabaut, Mich.; Yates, Ill.; Marshall, Minn.; Riley, S.C.; Sieminski, N.J.; Evins, Tenn.; Lanham, Ga.; Deane, N.C.; Shelley, Calif.; Boland, Mass.; Magnuson, Wash.; Hatcher, Ky.; Flood, Pa.; Denton, Ind. and Murray, Ill.



Government Operations: Dawson (chairman), Ill.; Holifield, Calif.; McCormack, Mass.; Chudoff, Pa.; Brooks, Tex.; Holtzman, N.Y.; Holloman, N.J.; Fountaine, F.C.; Hardy, Va.; Blatnik, Minn.; Jones, Ala.; Garmatz, Md.; Moss, Calif.; Kilgore, Tex.; Fascell, Fla.; Griffiths, Mich.; Reuss, Wis.;  
Post Office and Civil Service: Murray (chairman), Tenn.; Morrison, La.; Davis, Ga.; Rhodes, Pa.; Lesinski, Mich.; Dowdy, Tex.; Alexander, N.C.; Moss, Calif.; Robeson, Va.; Pfoz, Ida.; Fascell, Fla.; Clark, Pa.; Tunney, N.J. and Kilgore, Tex.

3. REPORTS. Received from this Department the annual report on the operations of the agricultural experiment stations and on the disposal of foreign excess property for the fiscal year 1954 (p. 251).

4. ADJOURNED until Mon., Jan. 17 (p. 251).

#### ITEMS IN APPENDIX

5. TRADE AGREEMENTS. Extension of remarks by Reps. Rogers (Mass.) and Reed (N.Y.) and insertion of various articles objecting to trade agreement negotiations with Japan and other countries (pp. A117-21, 154, 164-8).

Extension of remarks by Rep. Phillips and insertion of nut growers' telegrams objecting to short notice of hearings scheduled on H. R. 1, the trade-agreements extension bill (pp. A130-1).

6. PUBLIC LANDS. Extension of remarks by Rep. Hagen and insertion of two Bakersfield Californian editorials urging revision of laws concerning the mining usage of public lands (pp. A122-3).

7. FARM LABOR. Extension of remarks by Rep. Hagen and insertion of a New York Times article commending the admission of Basque sheepherders into the U.S., and pointing out the contributions of these herders to the economic life of this country (pp. A126-7).

8. FOREIGN TRADE. Extension of remarks by Rep. Hagen and insertion of a Time magazine article urging the expansion of world trade and the lowering of tariffs (pp. A134-5).

Extension of remarks by Rep. Bailey and insertion of O. R. Strackbein's (Chairman, Nationwide Committee of Industry, Agriculture, and Labor on Import-Export Policy) recent address objecting to lowering of tariff rates (pp. A161-2).

Extension of remarks by Rep. Forrester objecting to lowering of tariffs, particularly on textiles, peanuts, and other agricultural commodities, and insertion of Henry W. Swift's (Exce. Vice Pres., Swift Spinning Mills, Inc.) letter against lower tariffs (pp. A148-9).

9. ELECTRIFICATION. Rep. Jones, Ala., inserted two Commercial Appeal (Memphis) articles concerning the Dixon-Yates contract and how it has been managed by the Atomic Energy Commission (pp. A151-2).

10. RECLAMATION. Extension of remarks of Rep. Saylor and insertion of Governor Johnson's (Colo.) recent press statement giving an analysis of the upper Colorado River project and pointing out "that the compact denies any State the right to build a power dam when the water stored behind it cannot be used for agricultural or domestic purposes" (pp. A168-71).

Commodity Credit Corporation

"At the time Congress passed the regular 1955 appropriation bill for the Department of Agriculture, accurate information was not available as to the volume of commodities which would be handled by the Commodity Credit Corporation during the year. It now appears that this workload will run nearly 50 percent above original estimates and that the Corporation will expend all of its existing administrative funds by March 30, 1955.

"Accordingly, the Committee recommends the full amount of the increase of \$7,290,000 proposed for this purpose in House Document No. 59. It does so, however, with serious reservations as to the policies of the Federal Government which have resulted in the large buildup of commodities in the hands of the Corporation.

"In the opinion of a majority of the members of the Committee, actions of the Department to reduce price supports, change parity formulas and reduce acreage allotments will not cure the problem of the increasing commodity holdings of the Corporation. They believe that this difficulty is due to the failure of the Corporation to discharge its responsibility under its charter to sell its commodities competitively in world markets. Testimony before the Committee shows that none of the large stocks of cotton, cheese, corn, rice, seeds, naval stores, tobacco and wool have been or are being offered for sale on a competitive basis, despite basic authority in law to do so.

"The program for moving commodities under Public Law 480, for which much is claimed, actually is a means of giving commodities away in preference to attempting to sell them through normal trade channels. It involves prior clearance from a committee composed primarily of representatives of non-agricultural interests, which is a serious hurdle in getting agricultural commodities exported. Also, under the law, the major portion of the local currencies received for commodities shipped abroad will be used for foreign aid purposes in the countries from which received.

"The majority of the Committee feels that steps should be taken as early as practicable to begin the movement of these commodities into world markets on a competitive bid basis through American exporters. The Committee also feels that an immediate announcement of such change in policy should be made to discourage further increases in foreign production to the detriment of American farmers.

"Such an action will eventually make possible reductions in administrative costs of the Corporation. It should also help to correct the present practice of making competitors out of former customers and should benefit foreign consumers who have a real need for products surplus to United States domestic needs. Further, and most important, it will enable the American farmer to compete with foreign producers and make additional acreage available to relieve undue hardships existing in many areas of the country under present orders."

On pp. 65-74 of the House hearings on this bill is a report by Rep. Whitten on his recent trip abroad.



30. FAMILY-SIZED FARMS. H.R. 2177, by Rep. Polk, to state explicitly the long-standing national policy to preserve and strengthen the family-farm pattern of American agriculture, and to provide means of implementing that policy more effectively; to Agriculture Committee.
31. TUNG OIL. H.R. 2196, by Rep. Sikes, to regulate commerce among the several States, with and among the Territories and possessions of the U.S., and with foreign countries; to protect the welfare of consumers of tung oil and of those engaged in the domestic tung nut and tung oil producing industry; to promote the export trade of the U.S.; to Agriculture Committee (p. 254).
32. FARM LANDS. H.R. 2198, by Rep. Sikes, relating to tax treatment in certain cases involving the sale, exchange, or conversion of land with unharvested crops thereon; to Ways and Means Committee (p. 254).
33. EDUCATION. H.R. 2210, by Rep. Thompson, H.J., to establish a program of grants to States for the development of fine arts programs and projects; to Education and Labor Committee (p. 254).
34. DAYLIGHT-SAVING TIME. H.R. 2222, by Rep. Mainwright, to provide that standard time shall be the measure of time for all purposes and to establish daylight-saving time throughout all time zones; to Interstate and Foreign Commerce Committee (p. 254).
35. ACREAGE ALLOTMENT. H.R. 2230, by Rep. Winstead, to increase marketing quotas and acreage allotments; to Agriculture Committee (p. 255).
36. EDUCATION. H.R. 2232, by Rep. Younger, to create a U.S. academy of Foreign Service; to Foreign Affairs Committee (p. 255). Remarks of author (p. A127).
37. RECLAMATION. H. J. Res. 132, by Rep. Saylor, regarding the revocation of certain reclamation projects for which construction funds have not been appropriated; to Interior and Insular Affairs Committee (p. 255).

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COMMITTEE HEARING ANNOUNCEMENT FOR JAN. 14: Urgent deficiency appropriations bill, S. Appropriations (exec).

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NOTICE.—This report is given out subject to release when consideration of the bill which it accompanies has been completed by the whole committee. Please check on such action before release in order to be advised of any changes.

84TH CONGRESS	}	HOUSE OF REPRESENTATIVES	}	REPORT
1st Session				No.—

## URGENT DEFICIENCY APPROPRIATION BILL, 1955

JANUARY 13, 1955.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CANNON, from the Committee on Appropriations, submitted the following

### REPORT

[To accompany H. R. —]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making appropriations to supply certain urgent deficiency appropriations for the fiscal year ending June 30, 1955, and for other purposes.

The estimates upon which the bill is based are contained in House Documents Nos. 59, 60, and 61. The bill is divided into chapters corresponding to the subcommittees considering the estimates. The recommendations contained in the bill are a result of deliberations of the several subcommittees as approved by the full committee.

#### SUMMARY OF BILL

The budget estimates considered in connection with the bill did not propose the appropriation of additional money out of the general funds of the Treasury but requested increases in the limitations on the use of corporate and other funds.

The only direct appropriations in the bill are two appropriations, in Chapter I, of \$12,500 each to pay the customary gratuities to beneficiaries of deceased Representatives.

Chapter I also carries language continuing available not to exceed \$44,500 of the unobligated balance of appropriations for Terraces of the Capitol Building, in order to enable the Architect to proceed with necessary sidewalk reconstruction and further strengthening of the south terrace.

Chapter	Department or agency	Budget estimate	Recommended in bill	Bill compared with estimates
I	Legislative branch-----	-----	\$25, 000	+\$25, 000
II	Agriculture-----	(1)	(1)	-----
III	Independent offices-----	(1)	(1)	-----
	Total-----	-----	25, 000	+\$25, 000

<sup>1</sup> Increase in limitations;

## CHAPTER II

### SUBCOMMITTEE

**JAMIE L. WHITTEN, Mississippi, *Chairman***

CLARENCE CANNON, Missouri  
FRED MARSHALL, Minnesota

H. CARL ANDERSEN, Minnesota  
WALT HORAN, Washington

## DEPARTMENT OF AGRICULTURE

### COMMODITY CREDIT CORPORATION

At the time Congress passed the regular 1955 appropriation bill for the Department of Agriculture, accurate information was not available as to the volume of commodities which would be handled by the Commodity Credit Corporation during the year. It now appears that this workload will run nearly 50 percent above original estimates and that the Corporation will expend all of its existing administrative funds by March 30, 1955.

Accordingly, the Committee recommends the full amount of the increase of \$7,290,000 proposed for this purpose in House Document No. 59. It does so, however, with serious reservations as to the policies of the Federal Government which have resulted in the large buildup of commodities in the hands of the Corporation.

In the opinion of a majority of the members of the Committee, actions of the Department to reduce price supports, change parity formulas and reduce acreage allotments will not cure the problem of the increasing commodity holdings of the Corporation. They believe that this difficulty is due to the failure of the Corporation to discharge its responsibility under its charter to sell its commodities competitively in world markets. Testimony before the Committee shows that none of the large stocks of cotton, cheese, corn, rice, seeds, naval stores, tobacco and wool have been or are being offered for sale on a competitive basis, despite basic authority in law to do so.

The program for moving commodities under Public Law 480, for which much is claimed, actually is a means of giving commodities away in preference to attempting to sell them through normal trade channels. It involves prior clearance from a committee composed primarily of representatives of non-agricultural interests, which is a serious hurdle in getting agricultural commodities exported. Also, under the law, the major portion of the local currencies received for commodities shipped abroad will be used for foreign aid purposes in the countries from which received.

The majority of the Committee feels that steps should be taken as early as practicable to begin the movement of these commodities into world markets on a competitive bid basis through American exporters. The Committee also feels that an immediate announcement of such change in policy should be made to discourage further increases in foreign production to the detriment of American farmers.



Such an action will eventually make possible reductions in administrative costs of the Corporation. It should also help to correct the present practice of making competitors out of former customers and should benefit foreign consumers who have a real need for products surplus to United States domestic needs. Further, and most important, it will enable the American farmer to compete with foreign producers and make additional acreage available to relieve undue hardships existing in many areas of the country under present orders.

Comparative statement of budget estimates and amounts recommended in the bill

H. Doc. No.	Department or agency	Budget estimate	Recommended in the bill	Bill compared with estimates
59	DEPARTMENT OF AGRICULTURE Commodity Credit Corporation -----	(1)	(1)	-----

<sup>1</sup> Increase in administrative expenses limitation from \$18,000,000 to \$25,290,000.

## CHAPTER III

### SUBCOMMITTEE

**ALBERT THOMAS, Texas, *Chairman***

GEORGE W. ANDREWS, Alabama  
SIDNEY R. YATES, Illinois

JOHN PHILLIPS, California  
JOHN TABER, New York

### INDEPENDENT OFFICES

#### HOUSING AND HOME FINANCE AGENCY

##### FEDERAL HOUSING ADMINISTRATION

The committee recommends an increase in the authorization for administrative expenses of the Federal Housing Administration from \$5,500,000 to \$5,625,000, and an increase in the limitation on non-administrative expenses from \$26,250,000 to \$31,560,000. No appropriated funds are involved as the estimate relates exclusively to increases in corporate fund limitations.

The request for \$125,000 additional for administrative expenses will enable the agency to immediately engage additional staff that is urgently needed to develop cases of windfall profits in the construction of rental housing projects under section 608 of the National Housing Act for presentation to the Department of Justice. It is anticipated that substantial recoveries can be made for the Government if prompt action is taken.

The increase in nonadministrative expenses is granted because the agency is from two to four months behind on processing mortgage insurance applications in the field. The volume of applications has increased approximately 40 percent since enactment of the Housing Act of 1954 and no such increase was anticipated when the original 1955 budget submission was made to the Congress. The increase of \$5,310,000 in the corporate fund limitation will meet this emergency situation.

#### FOREIGN CLAIMS SETTLEMENT COMMISSION OF THE UNITED STATES

##### ADMINISTRATIVE EXPENSES

The Foreign Claims Settlement Commission of the United States was established by Reorganization Plan No. 1 of 1954 to replace the International Claims Commission of the United States and the War Claims Commission. In addition to the functions transferred to it by the reorganization plan, Public Law 615 extended benefits to Korean veterans, and Public Law 744 extended the War Claims Act until August 31, 1956, and added certain additional beneficiaries. This latter Act was passed too late in the last session of the Congress for an estimate for administrative expenses to be considered and is the basis for the present estimate.



The committee considered a request to authorize an additional \$130,000 from the War Claims Fund for administrative expenses of this agency, together with the unobligated balance from the old War Claims Commission estimated at \$45,000. The committee recommends that \$90,000 and the unobligated balance be made available for such purpose.

The Congress has already provided \$915,000 for administrative expenses and with the additional amount recommended in this bill it will make a total in this year of \$1,005,000 for adjudication of war claims, more than has ever been available to the old War Claims Commission in any year. The committee is convinced by information developed in the hearings that this amount will be sufficient as the workload in the last quarter of the year will not be as great as under the old Act.

*Comparative statement of budget estimates and amounts recommended in the bill*

H. Doc. No.	Department or agency	Budget estimates	Recommended in the bill	Bill compared with estimates
	INDEPENDENT OFFICES			
60	Housing and Home Finance Agency: Federal Housing Administration	(1)	(1)	-----
61	Foreign Claims Settlement Commission: Administrative expenses-----	(2)	(3)	-----

<sup>1</sup> Increases administrative expense limitation by \$125,000, expenses of travel limitation by \$17,600, and nonadministrative expense limitation by \$5,310,000.

<sup>2</sup> Transfers \$130,000 from War Claims Fund, and increases expenses of travel limitation by \$4,000.

<sup>3</sup> Transfers \$90,000 from War Claims Fund, and increases expenses of travel limitation by \$4,000.

○

**NOTICE:** This bill is given out subject to release when consideration of it has been completed by the Whole Committee. Please check on such action before release in order to be advised of any changes.

**[FULL COMMITTEE PRINT]**

**Union Calendar No.**

84TH CONGRESS  
1ST SESSION

**H. R.**

[Report No.      ]

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**IN THE HOUSE OF REPRESENTATIVES**

JANUARY 13, 1955

Mr. CANNON, from the Committee on Appropriations, reported the following bill; which was committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

**A BILL**

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

1      *Be it enacted by the Senate and House of Representa-*  
2      *tives of the United States of America in Congress assembled,*  
3      That the following sums are appropriated, out of any money  
4      in the Treasury not otherwise appropriated, to supply  
5      appropriations (this Act may be cited as the "Urgent De-  
6      ficiency Appropriation Act, 1955") for the fiscal year  
7      ending June 30, 1955, and for other purposes, namely:



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CHAPTER 1

LEGISLATIVE BRANCH

HOUSE OF REPRESENTATIVES

For payment to Florence R. Rogers, widow of Dwight L. Rogers, late a Representative from the State of Florida, \$12,500.

For payment to Nora <sup>MACK</sup>~~King~~, mother-in-law, and Isabel Kanaga and Florence R. King, sisters, of Paul W. Shafer, late a Representative from the State of Michigan, \$12,500.

ARCHITECT OF THE CAPITOL

Terraces of Capitol Building: Not to exceed \$44,500 of the balance of the appropriation for "Terraces of Capitol Building" contained in the Legislative Appropriation Act, 1954, unobligated on December 31, 1954, is hereby continued available, and in addition to the purposes heretofore authorized shall also be available for reconstruction of the House and Senate walkways adjacent to the terraces.

CHAPTER II

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

The limitation under this heading in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955, on the amount available for administrative expenses of the Corporation is increased from "\$18,000,000" to "\$25,290,000".

## CHAPTER III

## INDEPENDENT OFFICES

## HOUSING AND HOME FINANCE AGENCY

## FEDERAL HOUSING ADMINISTRATION

The amount made available under this head in title II of the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, for administrative expenses, is increased from “\$5,500,000” to “\$5,625,000”, and the limitation on the amount available for the expenses of travel is increased from “\$250,000” to “\$267,600”: *Provided*, That the limitation under said head on the amounts available for certain nonadministrative expenses of said Administration is increased from “\$26,250,000” to not to exceed “\$31,560,000”: *Provided further*, That no part of the funds contained herein shall be available for transfer, but shall be available for use exclusively by the Federal Housing Administration.

## FOREIGN CLAIMS SETTLEMENT COMMISSION

## ADMINISTRATIVE EXPENSES

For an additional amount for “Administrative expenses”, for carrying out the provisions of the Act of August 31, 1954 (Public Law 744), \$90,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved July 3, 1948); and this amount and amounts previously made available

1 from this source to the Foreign Claims Settlement Com-  
2 mission for "Administrative expenses" shall remain available  
3 until June 30, 1955: *Provided*, That the limitation under  
4 this head in the Independent Offices Appropriation Act,  
5 1955, as amended by the Supplemental Appropriation Act,  
6 1955, on the amount available for expenses of travel of  
7 the Foreign Claims Settlement Commission (War Claims  
8 Commission) is increased from "\$8,000" to "\$12,000".

#### 9 CHAPTER IV

#### 10 GENERAL PROVISIONS

11 SEC. 401. No part of any appropriation contained in this  
12 Act, or of the funds available for expenditure by any corpora-  
13 tion included in this Act, shall be used to pay the salary or  
14 wages of any person who engages in a strike against the Gov-  
15 ernment of the United States or who is a member of an  
16 organization of Government employees that asserts the right  
17 to strike against the Government of the United States, or  
18 who advocates, or is a member of an organization that advo-  
19 cates, the overthrow of the Government of the United States  
20 by force or violence: *Provided*, That for the purposes hereof  
21 an affidavit shall be considered prima facie evidence that the  
22 person making the affidavit has not contrary to the provisions  
23 of this section engaged in a strike against the Government of  
24 the United States, is not a member of an organization of  
25 Government employees that asserts the right to strike against



1 the Government of the United States, or that such person  
2 does not advocate, and is not a member of an organization  
3 that advocates, the overthrow of the Government of the  
4 United States by force or violence: *Provided further*, That  
5 any person who engages in a strike against the Government  
6 of the United States or who is a member of an organization  
7 of Government employees that asserts the right to strike  
8 against the Government of the United States, or who advo-  
9 cates, or who is a member of an organization that advocates,  
10 the overthrow of the Government of the United States by  
11 force or violence and accepts employment the salary or  
12 wages for which are paid from any appropriation or fund  
13 contained in this or any other Act shall be guilty of a felony  
14 and, upon conviction, shall be fined not more than \$1,000 or  
15 imprisoned for not more than one year, or both: *Provided*  
16 *further*, That the above penalty clause shall be in addition  
17 to, and not in substitution for, any other provisions of  
18 existing law.

[FULL COMMITTEE PRINT]

Union Calendar No.

84TH CONGRESS  
1ST SESSION

H. R.

[Report No.     ]

A BILL

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

By Mr. CANNON

JANUARY 13, 1955

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

## URGENT DEFICIENCY APPROPRIATION BILL, 1955

---

JANUARY 13, 1955.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

Mr. CANNON, from the Committee on Appropriations, submitted the following

### REPORT

[To accompany H. R. 2091]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making appropriations to supply certain urgent deficiency appropriations for the fiscal year ending June 30, 1955, and for other purposes.

The estimates upon which the bill is based are contained in House Documents Nos. 59, 60, and 61. The bill is divided into chapters corresponding to the subcommittees considering the estimates. The recommendations contained in the bill are a result of deliberations of the several subcommittees as approved by the full committee.

### SUMMARY OF BILL

The budget estimates considered in connection with the bill did not propose the appropriation of additional money out of the general funds of the Treasury but requested increases in the limitations on the use of corporate and other funds.

The only direct appropriations in the bill are two appropriations, in Chapter I, of \$12,500 each to pay the customary gratuities to beneficiaries of deceased Representatives.

Chapter I also carries language continuing available not to exceed \$44,500 of the unobligated balance of appropriations for Terraces of the Capitol Building, in order to enable the Architect to proceed with necessary sidewalk reconstruction and further strengthening of the south terrace.



Chapter	Department or agency	Budget estimate	Recommended in bill	Bill compared with estimates
I	Legislative branch-----	-----	\$25, 000	+\$25, 000
II	Agriculture-----	(1)	(1)	-----
III	Independent offices-----	(1)	(1)	-----
	Total-----	-----	25, 000	-\$25, 000

<sup>1</sup> Increase in limitations.

## CHAPTER II

### SUBCOMMITTEE

**JAMIE L. WHITTEN, Mississippi, *Chairman***

CLARENCE CANNON, Missouri  
FRED MARSHALL, Minnesota

H. CARL ANDERSEN, Minnesota  
WALT HORAN, Washington

## DEPARTMENT OF AGRICULTURE

### COMMODITY CREDIT CORPORATION

At the time Congress passed the regular 1955 appropriation bill for the Department of Agriculture, accurate information was not available as to the volume of commodities which would be handled by the Commodity Credit Corporation during the year. It now appears that this workload will run nearly 50 percent above original estimates and that the Corporation will expend all of its existing administrative funds by March 30, 1955.

Accordingly, the Committee recommends the full amount of the increase of \$7,290,000 proposed for this purpose in House Document No. 59. It does so, however, with serious reservations as to the policies of the Federal Government which have resulted in the large buildup of commodities in the hands of the Corporation.

In the opinion of a majority of the members of the Committee, actions of the Department to reduce price supports, change parity formulas and reduce acreage allotments will not cure the problem of the increasing commodity holdings of the Corporation. They believe that this difficulty is due to the failure of the Corporation to discharge its responsibility under its charter to sell its commodities competitively in world markets. Testimony before the Committee shows that none of the large stocks of cotton, cheese, corn, rice, seeds, naval stores, tobacco and wool have been or are being offered for sale on a competitive basis, despite basic authority in law to do so.

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*Comparative statement of budget estimates and amounts recommended in the bill*

H. Doc. No.	Department or agency	Budget estimate	Recommended in the bill	Bill compared with estimates
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<sup>1</sup> Increase in administrative expenses limitation from \$18,000,000 to \$25,290,000.

## CHAPTER III

### SUBCOMMITTEE

ALBERT THOMAS, Texas, *Chairman*

GEORGE W. ANDREWS, Alabama  
SIDNEY R. YATES, Illinois

JOHN PHILLIPS, California  
JOHN TABER, New York

### INDEPENDENT OFFICES

#### HOUSING AND HOME FINANCE AGENCY

##### FEDERAL HOUSING ADMINISTRATION

The committee recommends an increase in the authorization for administrative expenses of the Federal Housing Administration from \$5,500,000 to \$5,625,000, and an increase in the limitation on non-administrative expenses from \$26,250,000 to \$31,560,000. No appropriated funds are involved as the estimate relates exclusively to increases in corporate fund limitations.

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#### FOREIGN CLAIMS SETTLEMENT COMMISSION OF THE UNITED STATES

##### ADMINISTRATIVE EXPENSES

The Foreign Claims Settlement Commission of the United States was established by Reorganization Plan No. 1 of 1954 to replace the International Claims Commission of the United States and the War Claims Commission. In addition to the functions transferred to it by the reorganization plan, Public Law 615 extended benefits to Korean veterans, and Public Law 744 extended the War Claims Act until August 31, 1956, and added certain additional beneficiaries. This latter Act was passed too late in the last session of the Congress for an estimate for administrative expenses to be considered and is the basis for the present estimate.

The committee considered a request to authorize an additional \$130,000 from the War Claims Fund for administrative expenses of this agency, together with the unobligated balance from the old War Claims Commission estimated at \$45,000. The committee recommends that \$90,000 and the unobligated balance be made available for such purpose.

The Congress has already provided \$915,000 for administrative expenses and with the additional amount recommended in this bill it will make a total in this year of \$1,005,000 for adjudication of war claims, more than has ever been available to the old War Claims Commission in any year. The committee is convinced by information developed in the hearings that this amount will be sufficient as the workload in the last quarter of the year will not be as great as under the old Act.



*Comparative statement of budget estimates and amounts recommended in the bill*

H. Doc. No.	Department or agency	Budget estimates	Recommended in the bill	Bill compared with estimates
	<b>INDEPENDENT OFFICES</b>			
60	Housing and Home Finance Agency: Federal Housing Administration—	(1)	(1)	-----
61	Foreign Claims Settlement Commission: Administrative expenses-----	(2)	(3)	-----

<sup>1</sup> Increases administrative expense limitation by \$125,000, expenses of travel limitation by \$17,600, and nonadministrative expense limitation by \$5,310,000.

<sup>2</sup> Transfers \$130,000 from War Claims Fund, and increases expenses of travel limitation by \$4,000.

<sup>3</sup> Transfers \$90,000 from War Claims Fund, and increases expenses of travel limitation by \$4,000.

O

Union Calendar No. 4

84TH CONGRESS  
1ST SESSION

# H. R. 2091

[Report No. 3]

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 13, 1955

MR. CANNON, from the Committee on Appropriations, reported the following bill; which was committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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## A BILL

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the following sums are appropriated, out of any money  
4       in the Treasury not otherwise appropriated, to supply  
5       appropriations (this Act may be cited as the "Urgent De-  
6       ficiency Appropriation Act, 1955") for the fiscal year  
7       ending June 30, 1955, and for other purposes, namely:

1

## CHAPTER I

2

## LEGISLATIVE BRANCH

3

## HOUSE OF REPRESENTATIVES

4

For payment to Florence R. Rogers, widow of Dwight  
L. Rogers, late a Representative from the State of Florida,  
\$12,500.

7

For payment to Nora Mack, mother-in-law, and Isabel  
Kanaga and Florence R. King, sisters, of Paul W. Shafer,  
late a Representative from the State of Michigan, \$12,500.

10

## ARCHITECT OF THE CAPITOL

11

Terraces of Capitol Building: Not to exceed \$44,500 of  
the balance of the appropriation for "Terraces of Capitol  
Building" contained in the Legislative Appropriation Act,  
1954, unobligated on December 31, 1954, is hereby con-  
tinued available, and in addition to the purposes heretofore  
authorized shall also be available for reconstruction of the  
House and Senate walkways adjacent to the terraces.

18

## CHAPTER II

19

## DEPARTMENT OF AGRICULTURE

20

## COMMODITY CREDIT CORPORATION

21

The limitation under this heading in the Department  
of Agriculture and Farm Credit Administration Appropria-  
tion Act, 1955, on the amount available for administrative  
expenses of the Corporation is increased from "\$18,000,000"  
to "\$25,290,000".



## CHAPTER III

## INDEPENDENT OFFICES

## HOUSING AND HOME FINANCE AGENCY

## FEDERAL HOUSING ADMINISTRATION

The amount made available under this head in title II of the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, for administrative expenses, is increased from “\$5,500,000” to “\$5,625,000”, and the limitation on the amount available for the expenses of travel is increased from “\$250,000” to “\$267,600”: *Provided*, That the limitation under said head on the amounts available for certain nonadministrative expenses of said Administration is increased from “\$26,250,000” to not to exceed “\$31,560,000”: *Provided further*, That no part of the funds contained herein shall be available for transfer, but shall be available for use exclusively by the Federal Housing Administration.

## FOREIGN CLAIMS SETTLEMENT COMMISSION

## ADMINISTRATIVE EXPENSES

For an additional amount for “Administrative expenses”; for carrying out the provisions of the Act of August 31, 1954 (Public Law 744), \$90,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved July 3, 1948); and this amount and amounts previously made available

1 from this source to the Foreign Claims Settlement Com-  
2 mission for "Administrative expenses" shall remain available  
3 until June 30, 1955: *Provided*, That the limitation under  
4 this head in the Independent Offices Appropriation Act,  
5 1955, as amended by the Supplemental Appropriation Act,  
6 1955, on the amount available for expenses of travel of  
7 the Foreign Claims Settlement Commission (War Claims  
8 Commission) is increased from "\$8,000" to "\$12,000".

## 9 CHAPTER IV

### 10 GENERAL PROVISIONS

11 SEC. 401. No part of any appropriation contained in this  
12 Act, or of the funds available for expenditure by any corpora-  
13 tion included in this Act, shall be used to pay the salary or  
14 wages of any person who engages in a strike against the Gov-  
15 ernment of the United States or who is a member of an  
16 organization of Government employees that asserts the right  
17 to strike against the Government of the United States, or  
18 who advocates, or is a member of an organization that advo-  
19 cates, the overthrow of the Government of the United States  
20 by force or violence: *Provided*, That for the purposes hereof  
21 an affidavit shall be considered prima facie evidence that the  
22 person making the affidavit has not contrary to the provisions  
23 of this section engaged in a strike against the Government of  
24 the United States, is not a member of an organization of  
25 Government employees that asserts the right to strike against

1 the Government of the United States, or that such person  
2 does not advocate, and is not a member of an organization  
3 that advocates, the overthrow of the Government of the  
4 United States by force or violence: *Provided further*, That  
5 any person who engages in a strike against the Government  
6 of the United States or who is a member of an organization  
7 of Government employees that asserts the right to strike  
8 against the Government of the United States, or who advo-  
9 cates, or who is a member of an organization that advocates,  
10 the overthrow of the Government of the United States by  
11 force or violence and accepts employment the salary or  
12 wages for which are paid from any appropriation or fund  
13 contained in this or any other Act shall be guilty of a felony  
14 and, upon conviction, shall be fined not more than \$1,000 or  
15 imprisoned for not more than one year, or both: *Provided*  
16 *further*, That the above penalty clause shall be in addition  
17 to, and not in substitution for, any other provisions of  
18 existing law.



84TH CONGRESS  
1ST SESSION

H. R. 2091

[Report No. 3]

A BILL

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

By Mr. CANNON

JANUARY 13, 1955

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

84TH CONGRESS  
1ST SESSION

# H. R. 2091

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IN THE SENATE OF THE UNITED STATES

JANUARY 14, 1955

Read twice and referred to the Committee on Appropriations

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## AN ACT

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2   *tives of the United States of America in Congress assembled,*  
3   That the following sums are appropriated, out of any money  
4   in the Treasury not otherwise appropriated to supply  
5   appropriations (this Act may be cited as the "Urgent De-  
6   ficiency Appropriation Act, 1955") for the fiscal year  
7   ending June 30, 1955, and for other purposes, namely:

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For payment to Nora Mack, mother-in-law, and Isabel Kanaga and Florence R. King, sisters, of Paul W. Shafer, late a Representative from the State of Michigan, \$12,500.

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## ARCHITECT OF THE CAPITOL

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Terraces of Capitol Building: Not to exceed \$44,500 of the balance of the appropriation for "Terraces of Capitol Building" contained in the Legislative Appropriation Act, 1954, unobligated on December 31, 1954, is hereby continued available, and in addition to the purposes heretofore authorized shall also be available for reconstruction of the House and Senate walkways adjacent to the terraces.

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## COMMODITY CREDIT CORPORATION

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The limitation under this heading in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955, on the amount available for administrative expenses of the Corporation is increased from "\$18,000,000" to "\$25,290,000".



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## FOREIGN CLAIMS SETTLEMENT COMMISSION

## ADMINISTRATIVE EXPENSES

For an additional amount for “Administrative expenses”, for carrying out the provisions of the Act of August 31, 1954 (Public Law 744), \$90,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved July 3, 1948); and this amount and amounts previously made available

1 from this source to the Foreign Claims Settlement Com-  
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3 until June 30, 1955: *Provided*, That the limitation under  
4 this head in the Independent Offices Appropriation Act,  
5 1955, as amended by the Supplemental Appropriation Act,  
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7 the Foreign Claims Settlement Commission (War Claims  
8 Commission) is increased from "\$8,000" to "\$12,000".

## 9 CHAPTER IV

### 10 GENERAL PROVISIONS

11 SEC. 401. No part of any appropriation contained in this  
12 Act, or of the funds available for expenditure by any corpora-  
13 tion included in this Act, shall be used to pay the salary or  
14 wages of any person who engages in a strike against the Gov-  
15 ernment of the United States or who is a member of an  
16 organization of Government employees that asserts the right  
17 to strike against the Government of the United States, or  
18 who advocates, or is a member of an organization that advo-  
19 cates, the overthrow of the Government of the United States  
20 by force or violence: *Provided*, That for the purposes hereof  
21 an affidavit shall be considered prima facie evidence that the  
22 person making the affidavit has not contrary to the provisions  
23 of this section engaged in a strike against the Government of  
24 the United States, is not a member of an organization of  
25 Government employees that asserts the right to strike against

1 the Government of the United States, or that such person  
2 does not advocate, and is not a member of an organization  
3 that advocates, the overthrow of the Government of the  
4 United States by force or violence: *Provided further*, That  
5 any person who engages in a strike against the Government  
6 of the United States or who is a member of an organization  
7 of Government employees that asserts the right to strike  
8 against the Government of the United States, or who advo-  
9 cates, or who is a member of an organization that advocates,  
10 the overthrow of the Government of the United States by  
11 force or violence and accepts employment the salary or  
12 wages for which are paid from any appropriation or fund  
13 contained in this or any other Act shall be guilty of a felony  
14 and, upon conviction, shall be fined not more than \$1,000 or  
15 imprisoned for not more than one year, or both: *Provided*  
16 *further*, That the above penalty clause shall be in addition  
17 to, and not in substitution for, any other provisions of  
18 existing law.

Passed the House of Representatives January 13, 1955.

Attest:

RALPH R. ROBERTS,

*Clerk.*



84TH CONGRESS  
1ST SESSION

# H. R. 2091

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## AN ACT

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

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JANUARY 14, 1955

Read twice and referred to the Committee on  
Appropriations

period of a man's service, and no increases are proposed in the first 3 years for officers. Our efforts should be directed at inducing men to stay on after those periods. For this reason, I consider it highly important that a schedule of selective adjustments be approved.

#### RECOMMENDATIONS

In summary, my recommendations are as follows:

(1) The compensation of military service personnel should be increased on a selective basis. The aggregate increase proposed would add approximately 6.7 percent to the present level of pay and allowances.

(2) Hazardous duty pay for airmen and submarine crews should be increased, also on a selective basis, and increases also should be made in the hazardous duty pay for parachute duty, demolition work, deep-sea diving, and certain other specialties.

(3) Other nonpay benefits should be provided, including:

(a) A "dislocation" allowance for military personnel with dependents who are ordered to a new permanent duty station.

(b) An increase in the per diem allowance for temporary duty travel from \$9 to \$12, in keeping with a comparable proposal for civilian Government employees.

(c) More housing for service families in areas where present facilities are insufficient and authority for reduced rentals where men and their families must live temporarily in substandard housing.

(d) Removal of existing inequities and provision for better medical care for military families.

(e) Equalization of survivor benefits according to rank for active and retired personnel.

These recommendations are vitally important to the welfare of our military people and to the sustained security of the Nation. It is the objective of the Government that the size of the active Military Establishment shall be no greater than is consistent with the needs of national security. It shall always be our objective, in the present world situation, to maintain a military force that we can support for the many years that may be necessary to dispel the shadow of Communist threat. In my judgement, the measures herein presented will strengthen our security and preserve our way of life.

I urge that the Congress give early and favorable consideration to the recommendations I have herein submitted.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, January 13, 1955.

#### RETIRED OFFICERS OF THE UNIFORMED SERVICES

Mr. VINSON. Mr. Speaker, I ask unanimous consent to rerefer the bill H. R. 487 from the Committee on the Armed Services to the Committee on Post Office and Civil Service.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

#### URGENT DEFICIENCY APPROPRIATION ACT, 1955

Mr. CANNON from the Committee on Appropriations, reported the bill (H. R. 2091) making appropriations for the fiscal year ending June 30, 1955, and for other purposes (Rept. No. 3), which was read a first and second time, and, with the accompanying papers, referred to the Committee of the Whole House on the State of the Union and ordered to be printed.

Mr. TABER reserved all points of order on the bill.

Mr. CANNON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 2091) making appropriations for the fiscal year ending June 30, 1955, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to 1 hour, the time to be equally divided and controlled by the gentleman from New York [Mr. TABER] and myself.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

Mr. TABER. Mr. Speaker, reserving the right to object, it seems to me we might be able to get through with this in a half hour unless there is some special demand for time. I would suggest one-half hour.

Mr. CANNON. Mr. Speaker, that is agreeable to me and I therefore revise the request and ask unanimous consent that general debate be limited to one-half hour, the time to be equally divided and controlled by the gentleman from New York [Mr. TABER] and myself.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The SPEAKER. The question is on the motion offered by the gentleman from Missouri.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 2091, with Mr. BOLLING in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. CANNON. Mr. Chairman, this is the first appropriation bill of the session and the Congress.

And I want to take advantage of the occasion to congratulate the distinguished gentleman from New York [Mr. TABER], on the splendid record that was made by him and his committee in the last Congress. I am satisfied I express the deep gratification of the country at the determined efforts he made to retrench expenditures and bring the budget within the national revenues.

It is to be regretted that notwithstanding his dynamic leadership none of the assurances given us in this respect in the fall of 1952 have been carried out. We have not yet balanced the budget. We have increased instead of decreased

the national debt, and we have failed to live within our means the last 2 years.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. CANNON. I yield to the gentleman from Massachusetts, the majority leader.

Mr. McCORMACK. My friend from Missouri, having mentioned the failure to balance the budget, I would like to state to the gentleman that I have information that the budget is unbalanced as of November 30 by \$6.7 billion. They started out with a \$3 billion estimate and then revised up to \$4.8 billion, and I understand the deficit up to November 30 is \$6.7 billion. Has the gentleman any information in that respect?

Mr. CANNON. I regret to say that the gentleman's information is correct.

Not only was the budget more than \$6 billion out of balance on December 1 last, but on January 7, 1955, it was out of balance the sum of \$9,059,197,354.93.

Of course, it must be remembered that we are now at the peak of the deficit period, and we are just at the beginning of the era in which large revenues will accrue to the Treasury from the annual income-tax payments.

However, it must be remembered that when it finally became evident that they were not going to be able to balance the budget in the last Congress, the Secretary of the Treasury, Mr. Humphrey, announced that while they could not balance the budget under the circumstances, it was his intention to keep the deficit down to not more than \$3 billion. Now he comes out, within the last few days, with a newspaper statement in which he says he proposes to keep the deficit down to \$4.7 billion.

But, the fact remains, as has been emphasized by the gentleman from Massachusetts, that at the present time the deficit is in excess of \$9 billion.

May I also take advantage of the occasion to assure the gentleman from New York and the Director of the Budget of our earnest cooperation on this side of the aisle in reducing expenditure at every opportunity in the coming session.

I reserve the balance of my time.

Mr. TABER. Mr. Chairman, I yield myself such time as I may consume.

We have before us, Mr. Chairman, the first appropriation bill for this session of Congress. This is not a bill with which we could make any very substantial effort toward balancing the budget. However, the committee has been very careful in going over the items that were presented and I believe the bill itself is probably as small as we can get by with at the present time.

I appreciate what the gentleman from Missouri [Mr. CANNON] said about me. I am hoping that I may be able to give the same kind of cooperation in the committee to him that he gave to me the last 2 years. I expect that that will happen. I hope that the committee will be able to make a good record on appropriations.

With reference to the matter of balancing the budget, I want to call attention to these facts and these are, to me,



the hot facts in connection with the situation confronting the country.

The last periods that are reported on the daily Treasury statement show an increase of approximately 30 percent in the withholding tax and the tax upon income other than of corporations. That is a most encouraging factor because that, more than anything else, indicates that in the November and December periods for which the withholding taxes are now presented, there is a rising trend of employment and a prospect of balancing the budget.

While the overall picture at this time indicates a large deficit, nevertheless the deficit is a couple of hundred million dollars less than it was at this time a year ago. That means that with this rising trend of income-tax collections, our prospects of making headway in balancing the budget are good.

We have to consider that as of any 1st of January, the way income taxes are paid at the present time and the way they will be under the law as it is, prospects are always such that we have a deficit indicated. That deficit is going to be big on the 1st of January right along, because there is only 1 income-tax period in the first half of the fiscal year and there are 3 in the last half of each fiscal year. My own opinion is that the budget will show for this year a substantial reduction in that deficit as compared with last year. If we are careful about our expenditures in this session of the Congress and the one to come next year, I have hopes that we can balance the budget. For my own part I shall do everything in my power to bring financial stability to my country.

Mr. CANNON. Mr. Chairman, I yield 5 minutes to the gentleman from Mississippi [Mr. WHITTEN], chairman of the Subcommittee on Agricultural Appropriations.

Mr. WHITTEN. Mr. Chairman, this bill carries approximately \$7,200,000 in administrative authority or the authority to use funds by the Commodity Credit Corporation for administrative expenses. The committee has gone along with this request because these funds are necessary because of the huge quantities of agricultural commodities which the Commodity Credit Corporation owns.

We read about our Secretary of Agriculture and others talking about the more than \$6 billion we have invested in farm commodities, and that is true. We saw last Congress where the administration, including the Secretary, reduced price-support levels on basic farm commodities from 90 to 82½ percent of parity, the Secretary of Agriculture said: "to prevent the holding of such huge supplies of farm commodities."

Dairy support levels we reduced because of the butter CCC owned. Last year drastic reductions in acreages in wheat, cotton, and decreased production were ordered. This year still further drastic reductions in acreage were ordered, which is working a tremendous hardship and putting lots of people out of business in the area I come from.

Our hearings will disclose that all the time the Commodity Credit Corporation had authority to sell these commodities

in world markets for dollars but simply would not do it. If you will read the hearings on this bill you will see it is admitted by the Department of Agriculture that they have not offered to sell those commodities, yet the Commodity Credit Corporation charter itself authorizes the sale of these commodities in world trade on a competitive basis. We have held our commodities back, and thereby helped to increase foreign production. I tried to get a change in policy last year. Later in the year we got them to offer some commodities in world trade on a competitive basis, and they sold \$453 million worth of them, reducing CCC stocks to a minimum.

Earlier this week we heard the statement of our distinguished President of the United States, in which much was made of the administration's efforts to move the CCC-owned agricultural commodities into foreign trade for foreign currency under Public Law 480. What does Public Law 480 provide? A close reading of that speech will show you that 90 percent of that foreign currency we would receive is not even subject to the control of the Congress. By far the greater part of that foreign currency will be used for economic development in those countries. The last 10 percent of it can be given to them if the President just says the word. What the President did not tell you is that his administration is trying to give them away under Public Law 480 instead of selling them under the general authority of the law.

These hearings will disclose that those commodities have not been offered for sale for dollars. In other words, the representatives of the United States Government are going around over the world trying to give away that which they will not offer for sale, for which they have the authority to sell, but which they will not sell, all to add to foreign aid.

And all the time foreign production increases, and the American farmer gets his production cut more and more. There is ample evidence of the fact that the Corporation could sell to be found in the experience that they have had in those items, which we finally got them to offer for sale on a competitive bid last year. Let me read to you a list of those commodities which they will not even offer for sale: Cotton, cheese, corn, rice, seeds, naval stores, tobacco, wool, and until very recently, butter. Furthermore, do not try to tell me that we must sell these commodities from one government to another government. All we have to do is to announce periodically that given quantities of those commodities will be sold on a competitive bid basis to American exporters for export. I know those who want American farmers to absorb increases in foreign production say that they do not have the dollars in foreign countries. Let me tell you Europe is now more than 150 percent of prewar. The records of these hearings show that we will this year spend \$3,200,000,000 in Europe. They do have the dollars, but this shortsighted policy of not selling our commodities competitively, on world markets amounts to holding an umbrella over world prices. We have been inviting

and getting increased production in every country which produces such commodities. We are making competitors out of our customers. This failure to use the general authority of law is cutting back the income of our own farmers more and more so as to leave many of them far below any kind of a reasonable standard of living; and if it is continued, it will result in American agriculture being limited to the domestic market. What I charge here is proven by the testimony of the Department of Agriculture in these hearings.

May I read to you the report of our committee:

In the opinion of a majority of the members of the committee, actions of the Department to reduce price supports, change parity formulas and reduce acreage allotments will not cure the problem of the increasing commodity holdings of the Corporation. They believe that this difficulty is due to the failure of the Corporation to discharge its responsibility under its charter to sell its commodities competitively in world markets. Testimony before the committee shows that none of the large stocks of cotton, cheese, corn, rice, seeds, naval stores, tobacco and wool have been or are being offered for sale on a competitive basis, despite basic authority in law to do so.

The program for moving commodities under Public Law 480, for which much is claimed, actually is a means of giving commodities away in preference to attempting to sell them through normal trade channels. It involves prior clearance from a committee composed primarily of representatives of nonagricultural interests, which is a serious hurdle in getting agricultural commodities exported. Also, under the law, the major portion of the local currencies received for commodities shipped abroad will be used for foreign aid purposes in the countries from which received.

The majority of the committee feels that steps should be taken as early as practicable to begin the movement of these commodities into world markets on a competitive bid basis through American exporters. The committee also feels that an immediate announcement of such change in policy should be made to discourage further increases in foreign production to the detriment of American farmers.

Such an action will eventually make possible reductions in administrative costs of the Corporation. It should also help to correct the present practice of making competitors out of former customers and should benefit foreign consumers who have a real need for products surplus to United States domestic needs. Further, and most important, it will enable the American farmer to compete with foreign producers and make additional acreage available to relieve undue hardships existing in many areas of the country under present orders.

Mr. TABER. Mr. Chairman, I yield 3 minutes to the gentleman from Iowa [Mr. JENSEN].

Mr. JENSEN. Mr. Chairman, I agree perfectly with the gentleman from Mississippi [Mr. WHITTEN] in everything that he has said. I have contended, as have many other Members of the Congress as well as other folks who have kept up with this problem over the past many many years, that we have been playing the big sucker in not selling or offering our surpluses for sale at a price which would move these agricultural surpluses which we have piled up. I am quite proud of the fact that the 83d Republican Congress did last year pass a bill



which made it possible to dispose of these surpluses. I hope that this Congress will insist on continuing in force the program started last year. And so, Mr. Speaker, I indorse what the gentleman from Mississippi [Mr. WHITTEN] has said, and say that certainly we were most unfair to our own people and to needy people of the world when we priced our surplus farm commodities off the world market. Instead, let us continue to put a price on these surpluses that will move them, as we did last year when we sold over \$450 million worth of them after the 83d Congress passed a bill which made it possible to do so.

Mr. CANNON. Mr. Chairman, I yield 2 minutes to the gentleman from Mississippi [Mr. WHITTEN].

Mr. WHITTEN. I wanted to point out that the tragedy of not selling these commodities—cotton, cheese, corn, rice, and so forth—and they could have been sold, is that those same commodities for which there was a market and for which there is authority to sell, were used and counted to cut support levels, to reduce acreage, and restrict American production; to restrict the cotton acreage of American farmers. It was used as an argument to reduce the price-support levels on basic commodities from 92 percent to 82½ percent. It was used to change the parity formula so that it will almost automatically go down to 75 percent within the next several years. All the time the commodities that were used for this purpose could have been sold, and there was authority to sell them. When these fights were up last year, Secretary Benson did not tell the American people he had full authority to sell these commodities, but would not offer them for sale in world trade. The major harm or loss is not the amount of money we have invested in these commodities, it is not the fact that the longer you keep them the more storage we have to pay, but the commodities which we have, which we would not sell, have been used to do these other injuries to the American farmer, leaving thousands of tenants without a means of livelihood in the South and many, many small landowners reduced below the barest minimum essential to a decent living.

Mr. JENSEN. I agree perfectly with what the gentleman has just stated. We were told that other countries did not have the dollars to buy our surplus commodities. Now there are many nations which have nice reserves of American dollars with which they can buy these commodities at a price which they can afford to pay.

The CHAIRMAN. The time of the gentleman from Mississippi [Mr. WHITTEN] has expired.

Mr. TABER. Mr. Chairman, I yield 3 minutes to the gentleman from Washington [Mr. HORAN].

Mr. HORAN. Mr. Chairman, we all realize that we have tremendous surpluses of usable foodstuffs in America. The Congress in its wisdom last session, through the House Committee on Agriculture, passed legislation that, at long last, broke down some of the road barriers, to get us started on a surplus-disposal program. We are now tooling up

for that job. We have given to needy people in the United States great quantities of food—about 221,000 tons—since last July up to the 31st of December.

Almost a million needy people were given these surplus foods in one of our States. Thirty-three States and Alaska participated in them. With all these surpluses and this tremendous storage bill, we think it is only commonsense that we use every facility to put these foods into consumption, and that we are doing. We are also retooling our Foreign Service for agriculture so that agriculture products can move with increasing volume into foreign markets. We are in the process of doing that. I predict that before the year is over we will see great progress in clearing up and balancing our granary budget also.

I will not have time in 3 minutes to read these things to you, but on page 146 of the hearings you will find the various programs we have for getting rid of these surpluses in foreign markets:

1. Section 32 export payment programs, under which the Department makes an export differential payment to exporters to encourage increased exports. Two such programs are currently in effect:

Fresh and processed citrus:	
Fresh oranges.....cents per box...	75
Fresh grapefruit (comparable rates on process citrus).....do.....	60
Raisins.....cents per pound...	1½

2. International Wheat Agreement: The Department makes payments to exporters to cover the difference between the United States price and the price under the agreement. The average rate of payment for the fiscal year 1954 was 50.8 cents per bushel. The current rate is 75 cents per bushel.

In addition, CCC makes wheat available for export, as either wheat or flour, from its own stocks on the same terms at which sales are made under the agreement.

3. CCC sales at less than domestic market prices: Under the provisions of the Agricultural Act of 1949 and the CCC Charter Act, CCC can sell any commodities for export without restriction as to price. Currently (January price list) CCC is offering to sell for export at prices below domestic market prices: Cheese, butter, nonfat dry milk, oats, rye, barley, grain sorghums, cottonseed oil, pinto beans, linseed oil, dried whey.

4. Public Law 480: Commodities will be sold by CCC under public Law 480 for foreign currencies on the same price basis on which they are available for dollar transactions under other CCC export sales programs.

5. Barter: From its own inventories, CCC arranges to release against barter contracts an equivalent value in agricultural commodities based on the same prices at which they are available for dollar transactions under other CCC export sales programs.

Then I call attention to the Secretary's statement on page 118, in which he reviews the program:

Secretary BENSON. Mr. Chairman and gentlemen, Mr. Morse, Under Secretary of Agriculture, and President of the Commodity Credit Corporation, appeared before this subcommittee yesterday in behalf of the supplemental authorization for CCC administrative expenses for the fiscal year 1955. I understand that questions relating to the necessity for the increased authorization were covered in that hearing.

You discussed with Mr. Morse certain policy and procedure questions having to do particularly with disposal of surplus farm products abroad. Mr. Morse testified with full authority from me and as President of

the Commodity Credit Corporation. I am glad to respond to your request that I also discuss these matters with the committee. I understand the principal questions on policy and procedure were along the following lines:

1. We are selling increasing numbers of surplus commodities on the world markets and expect the sales and disposals abroad to be expanded under the broadened authority given under the laws passed by the 83d Congress. During 1954 we sold, competitively on the world markets the following surplus commodities: Peanuts, cottonseed oil, linseed oil, butter, rye, oats, grain sorghums, whey, flaxseed, olive oil, hairy vetch, common vetch, dry edible beans, tung oil, and barley.

Wheat is being sold under the International Wheat Agreement and outside of the agreement at world prices.

Cotton is being sold on the world markets by the cotton trade.

In the 1953 marketing year the sales were 3,200,000 bales.

The estimate for the 1954 marketing year is 4,500,000 bales.

We are getting the active cooperation and help of other departments of Government such as State, Treasury, Foreign Operations Administration, and so forth.

2. The transfer of agricultural attachés is being completed, as authorized by the 83d Congress. We expect to aggressively carry forward a program of redirecting the efforts of the agricultural attachés in a way that will best serve the interests of American agriculture. As Mr. Morse explained yesterday, there will be increasing emphasis on development of markets through the assistance of the agricultural attachés.

3. We are definitely encouraged with the progress that is being made in the movement of agricultural products into use both domestically and abroad. As the work of Congress progresses, we will be reporting more in detail on what has been accomplished and what the future holds.

We expect 1955 exports of farm products to exceed those of last year by 10 percent.

I think what we are doing now is helpful for American agriculture. I hope that we can bear with the program for a while, encourage it, and not criticize it to death, and see what happens. We are all friends of the American farmer. Let us stay that way, and when we have a program in its infancy like this, let us encourage it and not discourage it.

We were pleased with the work of our chairman of the subcommittee in criticizing some of the program. I think that was helpful; also I want to report to the House that the Secretary took cognizance of that criticism regarding the offering of cotton and promised to talk to the Cotton Council and the cotton trade and to the producer cooperatives. They are the ones who have put a block in the way of offering this on the competitive markets. It may be they are wrong.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. GROSS. Mr. Chairman, I, too, want to commend the gentleman from Mississippi [Mr. WHITTEN] for calling to the attention of Members of the House the failure of the Department of Agriculture to use the authority made available to dispose of surplus farm products.

With all due respect to those who have suggested that we rely on hope and promises that the Department of Agriculture will at some time in the future



make full use of legislative authority. I would reply that it is impossible for farmers to operate successfully on hopes and promises. Too long have they been fed that bill of fare.

I suspect that time and events will prove that at the bottom of the reasons why the Department of Agriculture has not sold more surpluses abroad will again be found the long arm of the State Department which, in all too many instances, is apparently more concerned with the welfare of foreigners than our own people.

Mr. Chairman, I certainly will read the hearings before the Appropriations Committee on this subject, and at the earliest date I will relay pertinent information on this subject to the people of the Third District in Iowa.

Mr. CANNON. Mr. Chairman, I yield the remainder of the time on this side to the gentleman from Texas [Mr. THOMAS].

Mr. THOMAS. Mr. Chairman, we have two items in here from independent offices: One dealing with the Foreign Claims Commission and the other with the FHA. Let me speak first of the FHA item. This calls for about \$5,500,000 of which \$5,300,000 will be used in the field where they are some 2 to 4 months behind in the processing of new applications for housing. About \$125,000 will be used in the District of Columbia for the employment of some 15 or 20 lawyers to investigate the wind-fall proposition.

None of these are appropriated funds; they come from fees collected by FHA. FHA is from 2 to 4 months behind in the processing of applications. They missed their guess by 40 percent, yet it was nobody's fault; it was due to the fact that the new housing bill which passed late last August and the appropriation bill was passed the previous April or May.

The other item deals with the Foreign Claims Commission. Again, that is not appropriated funds: An item of about \$45,000 represents a transfer. An item of \$100,000 represents a new authorization. They asked for \$130,000; we gave them \$90,000.

This comes from the Alien Property Custodian. This is just another good example of how the most permanent thing on earth is a temporary Government agency. It should have been wound up the 31st of March this year. It goes back to the old War Claims Commission, and now it has 2 more years to go.

Mr. Chairman, that is the story as far as the independent offices section is concerned.

The Clerk read the bill, as follows:

*Be it enacted, etc.,* That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, to supply appropriations (this act may be cited as the "Urgent Deficiency Appropriation Act, 1955") for the fiscal year ending June 30, 1955, and for other purposes, namely:

#### CHAPTER I

##### LEGISLATIVE BRANCH

##### House of Representatives

For payment to Florence R. Rogers, widow of Dwight L. Rogers, late a Representative from the State of Florida, \$12,500.

For payment to Nora King, mother-in-law, and Isabel Kanaga and Florence R. King, sisters of Paul W. Shafer, late a Representative from the State of Michigan, \$12,500.

#### Architect of the Capitol

Terraces of Capitol Building: Not to exceed \$44,500 of the balance of the appropriation for "Terraces of Capitol Building" contained in the Legislative Appropriation Act, 1954, unobligated on December 31, 1954, is hereby continued available, and in addition to the purposes heretofore authorized shall also be available for reconstruction of the House and Senate walkways adjacent to the terraces.

#### CHAPTER II

##### DEPARTMENT OF AGRICULTURE

##### Commodity Credit Corporation

The limitation under this heading in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955, on the amount available for administrative expenses of the Corporation is increased from "\$18,000,000" to "\$25,290,000."

#### CHAPTER III

##### INDEPENDENT OFFICES

##### Housing and Home Finance Agency

##### Federal Housing Administration

The amount made available under this head in title II of the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, for administrative expenses, is increased from "\$5,500,000" to "\$5,625,000," and the limitation on the amount available for the expenses of travel is increased from "\$250,000" to "\$267,600": *Provided*, That the limitation under said head on the amounts available for certain nonadministrative expenses of said Administration is increased from "\$26,250,000" to not to exceed "\$31,560,000": *Provided further*, That no part of the funds contained herein shall be available for transfer, but shall be available for use exclusively by the Federal Housing Administration.

##### Foreign Claims Settlement Commission

##### Administrative expenses

For an additional amount for "Administrative expenses," for carrying out the provisions of the act of August 31, 1954 (Public Law 744), \$90,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved July 3, 1948); and this amount and amounts previously made available from this source to the Foreign Claims Settlement Commission for "Administrative expenses" shall remain available until June 30, 1955: *Provided*, That the limitation under this head in the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, on the amount available for expenses of travel of the Foreign Claims Settlement Commission (War Claims Commission) is increased from "\$8,000" to "\$12,000."

#### CHAPTER IV

##### GENERAL PROVISIONS

SEC. 401. No part of any appropriation contained in this act, or of the funds available for expenditure by any corporation included in this act, shall be used to pay the salary or wages of any person who engages in a strike against the Government of the United States, or who is a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocates, or is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided*, That for the purposes hereof an affidavit shall be considered prima facie evidence that the person making the affidavit has not contrary to the provisions of this section engaged in a strike against the Government of the United States, is not a member of an

organization of Government employees that asserts the right to strike against the Government of the United States, or that such person does not advocate, and is not a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided further*, That any person who engages in a strike against the Government of the United States or who is a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence and accepts employment the salary or wages for which are paid from any appropriation or fund contained in this or any other act shall be guilty of a felony and, upon conviction, shall be fined not more than \$1,000 or imprisoned for not more than 1 year, or both: *Provided further*, That the above penalty clause shall be in addition to, and not in substitution for, any other provisions of existing law.

Mr. CANNON. Mr. Chairman, I move the Committee do now rise and report the bill back to the House without amendment, with the recommendation that the bill do pass.

The motion was agreed to.

Accordingly the Committee rose; and Mr. COOPER having assumed the chair as Speaker pro tempore, Mr. BOLLING, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 2091) making appropriations for the fiscal year ending June 30, 1955, and for other purposes, had directed him to report the same back to the House with the recommendation that the bill do pass.

Mr. CANNON. Mr. Speaker, I move the previous question on the bill to final passage.

The previous question was ordered.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

#### DEPENDENCY ALLOTMENT CLAIMS IN PUERTO RICO

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. SHORT] may extend his remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. SHORT. Mr. Speaker, for the past 24 months an investigation of dependency allotments, which investigation is now known as Project Big, has been underway in the military services. I urged this investigation in January 1953 and have had intimate knowledge of its progress since that time. This investigation has been conducted in Puerto Rico, the continental United States, and Hawaii. I wish to announce that the Army is now in the process of extending their investigation of these allotments to all areas in the world where investigation is feasible and effective today, has begun the investigation in Germany, France, Austria, and Italy. This involves secondary dependents,







# Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(For Department Staff Only)

Issued January 17, 1955  
For actions of January 14, 1955  
84th-1st, No. 6

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HIGHLIGHTS: Senate received nomination of McConnell as Assistant Secretary and CCC director. Sen. Schoeppel commended surplus-disposal program but suggested administrative changes. Sen. Stennis recommended increased cotton allotments. Sen. Mundt introduced and discussed bill to repeal tie-in of ACP and allotments. Sen. Humphrey introduced and discussed bill to foster family-size farms.

## SENATE

1. NOMINATIONS of James A. McConnell, to be Assistant Secretary of Agriculture and a member of the CCC Board of Directors, were received (p. 310).
2. COTTON ALLOTMENTS. Sen. Stennis requested legislation to increase cotton acreage allotments by 1,400,000 acres, and Sen. Daniel supported this recommendation (pp. 306-8).
3. SURPLUS DISPOSAL. Sens. Schoeppel and Aiken commended the progress under the Agricultural Trade Development and Assistance Act, and Sen. Schoeppel suggested various administrative and legislative changes regarding the program (pp. 297-8).  
Sen. Mundt inserted an article by Edmund Pendleton, Jr., analyzing this program (pp. 267-9).
4. VIRGIN ISLANDS. Received a communication from the President approving certain emergency actions of the Virgin Islands Corporation; to Interior and Insular Affairs Committee (p. 260).
5. REPORTS were received as follows: CCC, National Science Foundation, St. Lawrence Seaway Development Corp., agricultural experiment stations, stockpiling program, salt-water research, USDA disposal of foreign excess property, and ICC (pp. 259-61).

6. RECLAMATION; ELECTRIFICATION. Sen. Neuberger spoke in favor of construction of a multi-purpose dam at Hells Canyon (pp. 292-3).
7. EXPENDITURES. Sen. Byrd spoke in favor of balancing the budget (p. 296).
8. COMMITTEE ASSIGNMENT. Sen. O'Hahoney was appointed to replace Sen. Carlson on the Joint Committee on the Economic Report (pp. 296-7).
9. FORESTRY APPROPRIATIONS. Received a request from the S. C. Legislature for additional employees in the Sumter National Forest (p. 261).
10. ADJOURNED until Tues., Jan. 18 (p. 310). It is planned to call up the urgent deficiency appropriation bill that day (pp. 290, 310).

#### ITEMS IN APPENDIX

11. ELECTRIFICATION. Extension of remarks of Sen. Sparkman, including two newspaper editorials, criticizing the Dixon-Yates contract (pp. A176-7, A192-3).  
Extension of remarks of Sen. Magnuson, including a Public Power News article, commending the public utility districts of Washington State on their silver anniversary and pointing out that "99 percent of the farms in the State have been electrified" (p. A195).
12. EDUCATION. Extension of remarks of Sen. McNamara praising the establishment of Michigan State College as the first land-grant college and urging more Federal aid for education (p. A179).
13. FOREIGN TRADE. Extension of remarks of Rep. Zablocki, including a Library of Congress study on "Foreign Trade and Milwaukee," emphasizing the primary impact of foreign trade on manufacturing firms in the Milwaukee area (pp. A181-92).

#### BILLS INTRODUCED

14. PERSONNEL. S. 372, by Sen. Bridges (for himself and others), to provide for civil-service retirement annuities for widowers of female employees who die in the service; to Post Office and Civil Service Committee (p. 262).  
S. 374, by Sen. Jenner, to provide for extension, and suspension in certain cases, of statutes of limitations on false swearing by Government employees with respect to subversive activities and connections; to Judiciary Committee (p. 262).
15. SMALL BUSINESS. S. 381, 382, and 383, by Sen. Sparkman, to foster small business; to Banking and Currency Committee (p. 262).
16. RECLAMATION. S. 403, by Sen. Malone, to authorize Colorado River works at Bridge Canyon; to Public Works Committee (pp. 262-3).  
S. 405, by Sen. Malone (for himself and others), to provide for Federal cooperation in non-Federal reclamation projects and for non-Federal participation in Federal projects; to Interior and Insular Affairs Committee (p. 263).
17. EDUCATION. S. 480, by Sen. Humphrey (for himself and Sen. Ives), to authorize Federal aid for school construction; to Labor and Public Welfare Committee (p. 264).
18. FORESTRY. S. 424, by Sen. Goldwater, to authorize conveyance of certain national forest land to Coconino County, Ariz.; to Agriculture and Forestry Committee (p. 263).



presented as a public service by International Latex Corporation.

In the dispatch it will be noted that the reports circulating throughout Europe actually imply that Secretary Dulles himself is beginning to believe that the French have lost the capacity to govern themselves. Some of us have frequently been briefed by Secretary Dulles during the past year; and I, for one, wish to say that, to the best of my knowledge, he has never implied, in any way, that the French people have lost the ability to govern themselves.

It seems to me that France, which was ravaged and weakened by two wars within a generation, is making a gallant and successful effort to become stronger.

Although we cannot control the thoughts or the language of everyone in the United States any more than can be done in any other country, I believe that confidence in France and the French people is increasing, not only among our government officials, but also among the people of the country as a whole. We have not lost our faith in the ability of France to maintain her place among the great nations of the world, and I think we should tell them so and should do what we can to overcome the baseless rumors which undoubtedly are being circulated by those who mean no good either to France or the United States.

Mr. President, I ask unanimous consent to have the dispatch referred to printed at this point in the RECORD.

There being no objection, the dispatch was ordered to be printed in the RECORD, as follows:

#### WHAT FRANCE RESENTS

PARIS, January 13.—France is profoundly disturbed over reports from Washington that this country is being "written off" as unstable and unreliable, despite recent ratification of the London and Paris agreements in the French National Assembly.

These reports have been given wide circulation throughout Europe during the past fortnight. The BBC has featured them on its main news programs and they have been given wide—and doubtless gratifying—circulation in Germany.

The reports began with Washington dispatches in American newspapers shortly before Christmas which said that Secretary Dulles was beginning to believe that the French had lost the capacity to govern themselves.

Such sentiments were echoed in other dispatches which said Defense Department officials were known to feel that France was no longer a good risk, at least as an anchor of western defense. The implication was that they would seek other and more reliable real estate on which to build further bulwarks for defense.

Dulles' statement about French incapacity to govern themselves was made before Premier Mendes-France, fighting one of the great parliamentary battles of all time, finally rammed the Paris and London agreements through the National Assembly. But what disturbs France even more is that the echoes of this same sentiment, attributed to the Defense Department, were made after France's Assembly had given the green light to German sovereignty and rearmament.

The French are asking: Are these doubts quite fair, or even justified, within a week of the historic and successful Assembly debate? If American confidence was so completely shaken, why choose this of all moments to give it expression?

For the politicians and people of this country were under the impression that, if they did not ratify German rearmament, then their prestige would be finished in America. But they were certainly not under the impression that when their Assembly ratified that the name of France would be mud at any rate.

The Dulles threat of an agonizing reappraisal, they believed, held good only so long as France procrastinated on these issues, not when it took firm and forceful action.

To many Frenchmen this new defeatist attitude in the Defense Department—if it was correctly reported—comes as a shock since (1) they have ratified German rearmament in the lower house, (2) France has a leader in Mendes-France who shows signs of pulling the nation out of the polite semianarchy which existed for years, and (3) the Premier is preparing next month to push through his far-reaching economic reform program designed to harden most of the soft spots so long criticized by American economists.

The reports already have created resentment and some French observers believe this Washington attitude will play directly into the hands of the neutralists, the supernaturalists, and the Communists. Already, all three of these groups have been arguing along these lines:

"You see, we always told you the Americans are, first and foremost, pro-German. And now that we have voted to give Germany arms and sovereignty, the Americans are no longer interested in us. Only a few weeks ago, when we held the future of the western alliance in the hands of our Parliament, the French were noble people who would surely make the noble decision. Now, America is looking elsewhere for her 'bulwark' and where else but Germany?"

Such arguments may be false; at best, gross oversimplification, but they have a powerful emotional appeal.

The French official who risked his constituency in the next general election to vote last week for German rearmament and Western stability will not take lightly to having his political courage put down to instability. In that vote, the United States obtained potential new friends outside the tight little ranks of the fretful MRP and rightwing, some of whose most powerful members voted against or abstained on the rearmament issue.

Many strictly neutral observers here believe that now is the time for the propaganda-and-policy battalions of our State Department here to start cultivating these new pro-Western men of courage—who risked all to vote for Western solidarity—and drop those former leaders of France who procrastinated on the question for 4 long years and then voted against it.

For, if France is to shake the malaise which has gripped her since the Popular Front, then her future lies in the honesty and courage of such men and not in the bitterness of the bad losers which it had been American policy to support, both in the present and the previous administration. (By Seymour Freidin and William M. Richardson in the New York Post.)

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#### URGENT NEEDS OF THE AMERICAN SHIPPING INDUSTRY

Mr. BUTLER. Mr. President, in the conviction that the Congress and the people of the United States would give more favorable consideration to the urgent needs of American shipping if they understood more clearly the importance of that great industry to the economy and security of our country, I invite at-

tention to an advertisement which was published recently by the Gibbs Corp., of Jacksonville, Fla.

Under the heading, "Keep Her Flying," this splendidly phrased advertisement puts in most succinct fashion some basic facts pertaining to the American merchant marine that merit the attention of every citizen, and every Member of Congress.

The Gibbs Corp. is to be congratulated heartily upon this most timely and most convincing presentation of the plus side of the shipping question. As the members of the public relations panel of the Propeller Club of the United States were reminded at the recent Miami convention of that important national organization, by one of the country's leading authorities on maritime matters, Miss Helen Delich, shipping editor of the Baltimore Sun, the industry must let the people know what a job it is doing for the country; must sell its services to our people, shippers and passengers alike. This the Gibbs advertisement does most persuasively.

I ask unanimous consent that the advertisement be printed in the RECORD as a part of my remarks.

There being no objection, the advertisement was ordered to be printed in the RECORD, as follows:

#### KEEP HER FLYING

The tankers, freighters and passenger ships of the United States merchant marine are an investment in peacetime prosperity and wartime security. From the operation of these privately owned ships in peaceful commerce comes a chain reaction of economic benefit to industry and commerce, to labor and agriculture, to every State and every part of the population.

In the Nation's defenses, these same ships are as essential as planes, tanks, and battle-ships; they are the logistical key to any global emergency. Yet this vital weapon of war earns its keep and pays its own way in peacetime, both directly and in the enormous contribution of the merchant marine to the national economy.

But mothballed ships carry no cargoes, create no jobs, and train no men. Only a great merchant fleet, carrying on this Nation's share of the world's maritime commerce, can bring these benefits. Even as a reserve, a merchant fleet in mothballs will be useless unless there are trained officers, seamen and engineering personnel to man them when needed—and only an active merchant fleet will provide the necessary backlog of men with deep-sea training.

Few Americans outside the maritime industries know the facts or understand the urgency of this question. It is up to us who do know to pass the word—to keep our Representatives in Government informed and alert, to speak up at every opportunity in behalf of the merchant marine, to take an active part in the clubs and organizations working to keep the Stars and Stripes flying on the maritime trade routes of the world.

#### EXECUTIVE MESSAGES REFERRED

As in executive session,  
The PRESIDING OFFICER (Mr. SPARKMAN in the chair) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)



# ORDER OF BUSINESS AND ADJOURNMENT TO TUESDAY

Mr. JOHNSON of Texas. Mr. President, before moving an adjournment, I desire to make a brief announcement.

As stated earlier in the day, in accordance with a request made by the chairman of the Committee on Appropriations, the distinguished Senator from Arizona [Mr. HAYDEN], for leave to file a report when the Senate is not in session, it is the plan of the leadership, after having conferred with the minority leader, to call up on Tuesday next the urgent deficiency appropriation bill. I desire that all Senators have adequate notice that the consideration of that bill will be the business before the Senate on Tuesday.

I now move that the Senate adjourn until Tuesday next, at 12 o'clock noon.

The motion was agreed to; and (at 2 o'clock and 59 minutes p. m.) the Senate adjourned until Tuesday, January 18, 1955, at 12 o'clock meridian.

## NOMINATIONS

Executive nominations received by the Senate January 14, 1955:

### DEPARTMENT OF AGRICULTURE

James A. McConnell, of New York, to be an Assistant Secretary of Agriculture, vice Ross Rizley, resigned.

### COMMODITY CREDIT CORPORATION

James A. McConnell, of New York, to be a member of the Board of Directors of the Commodity Credit Corporation, vice Ross Rizley, resigned.

### INTERSTATE COMMERCE COMMISSION

Kenneth H. Tuggle, of Kentucky, to be an Interstate Commerce Commissioner for the term of 7 years expiring December 31, 1961. (Reappointment.)

Everett Hutchinson, of Texas, to be an Interstate Commerce Commissioner for the remainder of the term expiring December 31, 1961, vice Charles D. Mahaffie.

### NATIONAL SECURITY TRAINING COMMISSION

Gen. Walter Bedell Smith, United States Army, retired, to be a member of the National Security Training Commission for the remainder of the term expiring June 19, 1956.

### SUPREME COURT, TERRITORY OF HAWAII

Philip L. Rice, of Hawaii, to be associate justice of the Supreme Court, Territory of Hawaii, vice Louis LeBaron whose term has expired.

### BOARD OF PAROLE

George Glenn Killinger, of Virginia, to be a member of the Board of Parole for the term expiring September 30, 1960. Dr. Killinger is now serving in this post under an appointment which expired September 30, 1954.

### COAST AND GEODETIC SURVEY

Subject to qualifications provided by law, the following for permanent appointment

to the grade indicated in the Coast and Geodetic Survey:

### To be commissioned lieutenants

William R. Kachel, effective January 1, 1955.

Hal P. Demuth, effective January 5, 1955.

Pentti A. Stark, effective January 18, 1955.

Merlyn E. Natto, effective February 25, 1955.

### To be commissioned lieutenants (junior grade)

Robert C. Munson, effective January 9, 1955.

Gerard E. Haraden, effective January 10, 1955.

### To be commissioned ensigns

David E. Livingston

Kelly E. Taggart

James D. Slayden

### IN THE NAVY

Rear Adm. Bartholomew W. Hogan, Medical Corps, United States Navy, to be Surgeon General and Chief of the Bureau of Medicine and Surgery in the Department of the Navy for a term of 4 years.

### IN THE MARINE CORPS

Brig. Gen. Raymond A. Anderson, United States Marine Corps, to be Quartermaster General of the Marine Corps, with the rank of major general, for a period of 2 years from February 1, 1955.



phy, and theology—that he devoted most of his time at Strasbourg University. His philosophical thought has profoundly influenced two generations.

Happiness filled all of Schweitzer's early life. His interest in music, philosophy, and theology may be partially accounted for by inheritance; both of his grandfathers were organists and one was also a schoolmaster, and his father was a leading Alsatian pastor. But for the young Schweitzer happiness was the twin of shared pain. As he says, "Whoever is spared personal pain must feel himself called to help in diminishing the pain of others. We must all carry our share of the misery which lies upon the world."

In 1896, when he was 21, he determined that he should live for science and art until he was 30, and after that give his talents to the direct service of humanity. When this time came he was already one of the finest organists in Europe, and principal of the Theological College of St. Thomas, Strasbourg; famous friends like the organist, Widor, his teacher, and writer, Romain Rolland, protested that he would take his great gifts to the wilderness of equatorial Africa. His will was firm, however, and he plunged into medicine. By 1913 he was ready to go.

Since he has been in Lambarene his work has been impeded many times by wars and insufficient funds. And the medical needs of Africa are bottomless. Several times Dr. Schweitzer has had to return to Europe, to write books, lecture, or perform in concert in order to earn the funds necessary to keep his hospital out of the arms of the encircling jungles. He himself has endured sickness, ulcerated feet, and the unpredictable rains and exasperating folkways of primeval Africa. One may imagine that such a sensitive and disciplined man has had many moments of doubt; however this may be, he has never ceased to work, in the most practical ways, for the health and understanding of his beloved Africans, in that continent which is now his second home.

In Schweitzer's own words:

"I wanted to be a doctor that I might be able to work without having to talk. For years I had been giving myself out in words \* \* \* this new form of activity I could not represent to myself as talking about the religion of love, but only as an actual putting it into practice.

"Only at quite rare moments have I felt really glad to be alive. I could not but feel with a sympathy full of regret all the pain that I saw around me, not only that of men but that of the whole creation. From this community of suffering I have never tried to withdraw myself. It seemed to me a matter of course that we should all take our share of the burden of pain which lies upon the world.

"It was quite incomprehensible to me—this was before I began going to school—why in my evening prayers I should pray for human beings only. So when my mother had prayed with me and had kissed me good-night I used to add silently a prayer that I had composed myself for all living creatures. It ran thus: 'O, Heavenly Father, protect and bless all things that have breath; guard them from all evil and let them sleep in peace.'

"Truth has no special time of its own. Its hour is now—always.

"People say I understand something about music, but the sweetest sound I have ever heard came from a room one night when from the change in a baby's crying I knew that the crisis had passed, and that he would be well again.

"Those who have learned by experience what physical pain and bodily anguish mean belong together all the world over; they are united by a secret bond. One and all, they know the horrors of suffering to which man can be exposed, and one and all they know the longing to be free from pain.

"He speaks to us the same word: 'Follow thou me!' and sets us to the tasks which He has to fulfill for our time. He commands. And to those who obey Him, whether they be wise or simple, He will reveal Himself in the toils, the conflicts, the sufferings which they shall pass through in His fellowship, and, as an ineffable mystery, they shall learn in their own experience who He is.

"An organ is like a cow; one does not look at its horns so much as at its milk.

"Joy, sorrow, tears, lamentation, laughter—to all these music gives voice, but in such a way that we are transported from the world of unrest to a world of peace, and see reality in a new way, as if we were sitting by a mountain lake and contemplating hills and woods and clouds in the tranquil and fathomless water."

#### ALBERT SCHWEITZER'S CAREERS

Music: Eugene Munch, 1857-98, a biography of his friend and first organ teacher. J. S. Bach, a huge, two-volume biography of the giant Baroque composer. Many organ recordings, some made in Europe in order to buy medicaments for the Lambarene hospital. Also a book on organs and organ building, and an edition of Bach's organ works (with Widor). Dr. Schweitzer still practices regularly on a special, termite-proof organ donated by European friends.

Theology: *The Quest of the Historical Jesus* (1906), which sums up the work of 200 years of Biblical higher criticism and provides an original interpretation of many textual problems in Scripture, has been called the most influential book of theology published in this century. He has also written two books on Paul, a psychiatric study of Jesus (written for his doctor-of-medicine thesis), and *Christianity and the Religions of the World*. Dr. Schweitzer is himself a preacher; during World War I he preached in Strasbourg, and he preaches regularly to his staff and patients in Africa.

Philosophy: His autobiographical works include *Out of My Life and Thought*, *On the Edge of the Primeval Forest*, and *Memoirs of Childhood and Youth*. He has also written, partly from lectures given over Europe, the two-volume *Philosophy of Civilization*. He has won innumerable medals, prizes, and honors from all over the earth, and the Nobel Peace Prize for 1952.

Medicine: The hospital plant at Lambarene has had to be moved physically and rebuilt several times. In addition to common conditions, Schweitzer must treat tropical scourges like epidemics of amebic and bacillary dysentery, malaria (almost all his patients have this), strangulated hernia, elephantiasis, leprosy, etc. Many Africans also suffer from severe nutritional deficiencies which may be responsible for the prevalence of (uncancerous) tumor.

#### THE IMPORTANCE OF THOUGHT

Rational thought is important for its own sake and as it leads to a higher form which Schweitzer calls mystical thought. Pure reason can carry us only so far; to penetrate further we must quiet the mind and await the insight for which reason has prepared us.

This higher thought may contradict the expectations of logical, rational thought. Perhaps that is why men have often distrusted it. Actually the new insight may be a premise, in support of which rational thought must build a new structure. Moreover, intuitive insight may include a larger whole than sense data can immediately verify, just as complete knowledge of H<sub>2</sub>O must include awareness of ice and steam even though water be its present form recognized by the senses. Water when it boils does not cease to be H<sub>2</sub>O. So rational thought does not cease to be thought when it boils over into mystical, or integral, thought. Schweitzer recognizes that mystical thought may lead to a denial of knowledge based upon

reason, and seek an experience apart from life itself. But this is a growth to be pruned. He says that mysticism is not the flower on the plant of thought.

It is but the stalk; ethics is the flower. What he calls ethical mysticism, therefore, "admits how absolutely mysterious and unfathomable are the world and life. It is knowledge insofar as it does know the one thing which we can and must know in the sphere of this mystery, namely, that all being is life, and that in loving self-devotion to other life we realize our spiritual union with infinite being."

Ordinary commonsense knowledge tells us that we must watch after ourselves and our interests first. But that knowledge is superseded when, through the experience of love, we see that another's life is as important as our own. Schweitzer, like Gandhi, would have us go one step further and see all others as objects of love. This step reason cannot take for us; nor can emotional attachment to another person. The step is made for us when we determine to look beyond the temporal to the eternal, to seek communion with the ground of all being.

But, insists le grand docteur, we cannot break through the ultimate mystery. Beyond us is the unfathomable deep. While we may measure time, we cannot measure eternity, and our time is bounded on all sides by the eternal. It is an awesome prospect to view and as we watch it we see all living creatures mirrored there. All creatures as one.

#### ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE APPENDIX

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the Appendix, as follows:

By Mr. KNOWLAND:

Address delivered by him at second annual international student exchange dinner, Houston, Tex., Thursday, January 13, 1955.

By Mr. McNAMARA:

Statement by himself in reference to centennial of land-grant colleges.

By Mr. BEALL:

Second inaugural address by Hon. Theodore R. McKeldin, Governor of Maryland, on Wednesday, January 12, 1955.

By Mr. CARLSON:

Inaugural address by Gov. Fred Hall, of Kansas.

Farewell address of outgoing Gov. Edward F. Arn, of Kansas.

Article relating to 100th anniversary of the Post Office at Lawrence, Kans., published in the *Lawrence (Kans.) Dairy Journal World*.

By Mr. GOLDWATER:

Address by Dean Clarence Manion, entitled "States Rights and the Supreme Court."

By Mr. SPARKMAN:

Editorial entitled "Dixon-Yates Contract Needs Close Scrutiny," published in the *Des Moines Register* of October 19, 1954.

Editorial entitled "The Dixon-Yates Power Deal Smells," published in the *Huntsville (Ala.) Times* of September 26, 1954.

Gridiron Club comment on the Dixon-Yates contract, at annual meeting on December 12, 1954.

By Mr. BYRD:

Editorial and article in reference to the President's message to Congress.

By Mr. STENNIS (on behalf of Mr. ERVIN):

Defense Mobilization Order IV-3, establishing an Advisory Committee on the Watch Industry, and a press release in connection therewith.

By Mr. KUCHEL:

Excerpts from remarks by James Stewart at the Air Force Association luncheon at Omaha, Nebr., on August 20, 1954.



By Mr. WILEY:

Article from the January 1955 issue of *Eagle* magazine, and article from the magazine *Retirement Life*, relating to the Crusade for Freedom and Radio Free Europe.

By Mr. MAGNUSON:

Article entitled "Twenty-five Years of Progress Under Democracy," published in the December 1954 *Public Power News*, issued by the Washington Public Utility Districts Association.

By Mr. DANIEL:

Statement on 22d anniversary of the Lone Ranger.

By Mr. ANDERSON:

Article entitled "Edward J. Noble Gives \$5,000,000 to Fund," published in the *New York Herald Tribune* of Monday, December 20, 1954.

### CONTINUED INVESTIGATION AND COMBATING OF THE INTERNATIONAL COMMUNIST CONSPIRACY AGAINST THE UNITED STATES

Mr. JOHNSON of Texas. Mr. President, if Senators will indulge me, after conferring with the minority leader, I understand that several Senators are planning to be absent from the Chamber later in the day to attend a funeral. Several Senators also plan to be absent from the Chamber next week.

Therefore, in order that there may be a yea-and-nay vote on Senate Resolution 18, I ask unanimous consent that the Senate proceed to the consideration of the resolution, with the understanding that the yeas and nays will be ordered on the resolution, and that immediately after the resolution is disposed of, the Senate will return to the consideration of morning business, so that Senators may continue to make insertions in the *RECORD* and to conduct other routine business.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. KNOWLAND. The majority leader spoke to me about the proposed procedure. I know of no opposition on this side of the aisle to Senate Resolution 18. It was indicated to me, however, that a yea-and-nay vote was desired. I understand that several Senators on both sides of the aisle are planning to attend a funeral this afternoon, and also that several Senators on both sides of the aisle wish to attend the inauguration of their Governors next week. Therefore, it is desirable to have a yea-and-nay vote on the resolution at this time. If that course is followed, all Members of the Senate will be able to meet their commitments. Following the vote on the resolution, it is my understanding that the Senate will resume the transaction of routine business.

The PRESIDENT pro tempore. The Secretary will read the resolution for the information of the Senate.

The resolution (S. Res. 18) was read as follows:

*Resolved*, That the Communist Party of the United States is recognized to be a part of the international Communist conspiracy against the United States and all democratic forms of government. It is the sense of the Senate that its appropriate committees should continue diligently and vigorously to investigate, expose, and combat this conspiracy and all subversive elements and persons connected therewith, including the

completion of all pending and unfinished investigations of such nature.

The PRESIDENT pro tempore. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. JOHNSON of Texas. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDENT pro tempore. Does the Senator from Texas desire to have an immediate vote on the resolution?

Mr. JOHNSON of Texas. If there is no objection, the yeas and nays having been ordered, I would suggest that the Senate is ready to vote on the resolution.

The PRESIDENT pro tempore. The question is on agreeing to the resolution. The Secretary will call the roll.

The legislative clerk called the roll.

Mr. CLEMENTS. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from North Carolina [Mr. ERVIN], the Senator from Rhode Island [Mr. GREEN], the Senator from Oklahoma [Mr. KERR], the Senator from New York [Mr. LEHMAN], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Rhode Island [Mr. PASTORE], and the Senator from Florida [Mr. SMATHERS] are absent on official business.

The Senator from Massachusetts [Mr. KENNEDY] is absent by leave of the Senate because of illness.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

The Senator from Georgia [Mr. RUSSELL] is absent because of illness in his family.

I announce further, if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from North Carolina [Mr. ERVIN], the Senator from Rhode Island [Mr. GREEN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Oklahoma [Mr. KERR], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Rhode Island [Mr. PASTORE], the Senator from Georgia [Mr. RUSSELL], and the Senator from Florida [Mr. SMATHERS] would vote "yea."

Mr. SALTONSTALL. I announce that the Senator from South Dakota [Mr. CASE] is absent by leave of the Senate, and if present would vote "yea."

The result was announced—yeas 84, nays 0, as follows:

#### YEAS—84

Aiken	Eastland	Long
Allott	Ellender	Magnuson
Anderson	Flanders	Malone
Barkley	Frear	Mansfield
Barrett	Fulbright	Martin, Iowa
Beall	George	Martin, Pa.
Bender	Goldwater	McCarthy
Bennett	Gore	McClellan
Bible	Hayden	McNamara
Bricker	Hennings	Millikin
Bridges	Hickenlooper	Morse
Bush	Hill	Mundt
Butler	Holland	Murray
Byrd	Hruska	Neely
Capehart	Humphrey	Neuberger
Carlson	Ives	Payne
Case, N. J.	Jackson	Potter
Clements	Jenner	Purtell
Cotton	Johnson, Tex.	Robertson
Curtis	Johnston, S. C.	Saltonstall
Daniel	Kefauver	Schoeppel
Dirksen	Kilgore	Scott
Douglas	Knowland	Smith, Maine
Duff	Kuchel	Smith, N. J.
Dworshak	Langer	Sparkman

Stennis  
Symington  
Thurmond

Thye  
Watkins  
Welker

Wiley  
Williams  
Young

#### NOT VOTING—12

Case, S. Dak.  
Chavez  
Ervin  
Green

Kennedy  
Kerr  
Lehman  
Monroney

O'Mahoney  
Pastore  
Russell  
Smathers

So the resolution (S. Res. 18) was agreed to.

The PRESIDENT pro tempore. In accordance with the understanding previously had, the Senate will resume morning business, strictly under the 2-minute rule.

### AUTHORIZATION TO REPORT THE URGENT DEFICIENCY BILL DURING THE ADJOURNMENT OF THE SENATE

Mr. HAYDEN. Mr. President, I ask unanimous consent that during the adjournment of the Senate following today's session I may report, from the Committee on Appropriations, the urgent deficiency appropriation bill, H. R. 2091, which has passed the House of Representatives, so that it may be considered by the Senate next Tuesday.

Mr. JOHNSON of Texas. Mr. President, in connection with the request just made by the distinguished Senator from Arizona for permission to report the urgent deficiency appropriation bill during the recess of the Senate, it is the plan, following a conference between the distinguished minority leader and myself, to call up the urgent deficiency bill in the Senate next Tuesday. I simply desired Senators to have advance notice of this intention.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Arizona? The Chair hears none, and it is so ordered.

### MILITARY SECURITY THROUGH ADEQUATE AIRPOWER

Mr. SYMINGTON. Mr. President, the best presentation I have read in some time as to why adequate airpower, Army, Navy, and the Air Force, is not a matter that can be handled as one handles normal American production problems in hard-line items is contained in a thoughtful article by an able and experienced newspaperman in this field, Brig. Gen. Thomas R. Phillips, published in the *St. Louis Post-Dispatch* of January 12, 1955.

I ask unanimous consent that the article be printed in the *RECORD* directly following these remarks.

There being no objection, the article was ordered to be printed in the *RECORD*, as follows:

[From the *St. Louis Post-Dispatch* of January 12, 1955]

FOURTEEN BILLION FIVE HUNDRED MILLION DOLLAR AIR FORCE BUDGET NOT FOR EXPANSION BUT FOR BUYING REVOLUTIONARY NEW TYPE PLANES—REPLACEMENTS FOR PRESENT CRAFT MUST BE CAPABLE OF SPEEDS OF THOUSANDS OF MILES PER HOUR AND VERTICAL TAKEOFFS—RAPID OBSOLESCENCE POSES DILEMMA

(By Brig. Gen. Thomas H. Phillips, U. S. Army (retired), military analyst of the *Post-Dispatch*)

WASHINGTON, January 12.—The Air Force budget for fiscal year 1956, which is to be







# Digest of CONGRESSIONAL PROCEEDINGS

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(For Department Staff Only)

Issued January 18, 1955  
For actions of January 17, 1955  
84th-1st, No. 7

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HIGHLIGHTS: House received and discussed 1956 Budget. Senate committee voted to report urgent deficiency appropriation bill.

### HOUSE

- BUDGET. Received the President's Budget for the fiscal year 1956 (H. Doc. 16); to Appropriations Committee (pp. 313-38). Rep. Cannon criticized failure to balance the Budget and objected to various features of the Budget document; and Reps. Halleck, McCormack, Mahon, and others discussed this matter (pp. 338-44). Attached to this Digest are (1) excerpts from the Budget message and (2) a summary statement of the estimates recommended for this Department in the 1956 Budget compared with 1955.

Distribution of copies of the Budget is being made through the agency budget offices, pursuant to a regular distribution list which was recently prepared in cooperation with the agencies of the Department. Copies of the Budget will not be available from the Legislative Reporting Staff. A very small reserve supply will be available from the Division of Estimates and Allotments of this office, Ext. 5901, to meet extreme and unforeseen emergencies.
- REPORTS were received as follows: National Science Foundation (H. Doc. 74), CCC operations (H. Doc. 73), St. Lawrence Seaway Development Corp. (H. Doc. 71), and ACPS operations (pp. 341, 355).
- REORGANIZATION. Passed without amendment S. J. Res. 4, to provide for continuation of a former Member of Congress on the Commission on Governmental Operations (pp. 311-12). This measure will now be sent to the President.
- TARIFFS. Rep. Lahham objected to a proposal to lower the tariff on cotton goods to be imported from Japan, and Reps. Staggers and Bailey criticized the trade-

agreements program (pp. 344-5, 351-4).

5. ADJOURNED until Thurs., Jan. 20, when the President's Economic Report is to be received (pp. 354, D16).

#### SENATE

6. URGENT DEFICIENCY APPROPRIATION BILL, 1955. The Appropriations Committee voted to report this bill, H. R. 2091 (p. D15).
7. COMMITTEE ASSIGNMENTS. The Interstate and Foreign Commerce Committee announced selection of subcommittees, including one on Surface Transportation with Sen. Smathers as chairman (p. D15).
8. SELECTIVE SERVICE. Both Houses received the President's message on composition of the armed forces, including a recommendation for a 4-year extension of the Selective Service System (H. Doc. 68); to Armed Services Committees (pp. 226-8, 259; Jan. 13, 14).

#### COMMITTEE HEARINGS RELEASED BY GPO

9. URGENT DEFICIENCY APPROPRIATION BILL, 1955. H. Appropriations Committee.

#### ITEMS IN APPENDIX

10. FOREIGN AID. Rep. Gross inserted his speech criticizing foreign aid and stating that we teach Brazilians how to grow coffee but do nothing about coffee speculation (pp. A201-3).
11. SURPLUS COMMODITIES; TEXTILES. Rep. Lane inserted a newspaper editorial explaining briefly how surplus commodities are acquired by the Government and urging the Government to purchase textiles in order to keep mills operating in labor-surplus areas (p. A206).
12. ST. LAWRENCE SEAWAY; ELECTRIFICATION. Rep. Lane inserted a newspaper editorial claiming that the proposal to furnish St. Lawrence power to New York City is not practical (p. A210).
13. TARIFFS. Extension of remarks of Rep. Westland opposing any reduction in tariffs on imported Japanese crabs and oysters (pp. A212-3).

#### BILLS INTRODUCED

14. PRICE SUPPORTS. H. R. 2373, by Rep. Bass, Tenn., "to amend the Agricultural Act of 1949, as amended, with respect to price supports for basic commodities"; to Agriculture Committee (p. 355).  
H. R. 2374, by Rep. Bass, Tenn., to provide for dairy supports at not less than 90% of parity; to Agriculture Committee (p. 355).  
H. R. 2411, by Rep. Johnson, Wis., to provide for dairy supports at 100% of parity; to Agriculture Committee (p. 356).
15. SOIL CONSERVATION; ACREAGE ALLOTMENTS. H. R. 2412, by Rep. Jones, Mo., and H.R. 2415, by Rep. Laird, to repeal the requirement that farmers conform to acreage allotments on basic crops in order to be eligible for ACP payments; to Agriculture Committee (p. 356).

## URGENT DEFICIENCY APPROPRIATION BILL, 1955

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JANUARY 17, 1955.—Ordered to be printed

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Mr. HAYDEN, from the Committee on Appropriations, submitted the following

## R E P O R T

[To accompany H. R. 2091]

The Committee on Appropriations, to whom was referred the bill (H. R. 2091) making appropriations for the fiscal year ending June 30, 1955, and for other purposes, report the same to the Senate with various amendments and present herewith information relative to the changes made.

Amount of bill as passed House.....	\$25, 000
Amount of increase by Senate committee.....	968, 950
Amount of bill as reported to Senate.....	993, 950



Chapter	Department or agency	Budget estimate	Recommended in House bill	Amount recommended by Senate committee	Increase (+) or decrease (-), Senate bill compared with—	
					Budget estimate	House bill
I	Legislative branch-----		\$25, 000	\$853, 950	+ \$853, 950	+ \$828, 950
II	Agriculture-----	( <sup>1</sup> )	( <sup>1</sup> )	-----	-----	-----
III	Independent offices-----	<sup>2</sup> \$160, 000	( <sup>1</sup> )	<sup>2</sup> 140, 000	-20, 000	+ 140, 000
	Total-----	160, 000	25, 000	993, 950	+ 833, 950	+ 968, 950

<sup>1</sup> Increase in limitations.<sup>2</sup> And increase in limitations.

## INCREASES AND LIMITATIONS

**Chapter I. Legislative branch:**

## Senate:

Beneficiaries of deceased Senators-----	\$25, 000
Salaries, officers and employees:	

The committee recommends that the following paragraph be added to the bill:

*The appropriation for salaries of officers and employees of the Senate contained in the Legislative Branch Appropriation Act, 1955, is made available for the employment of additional clerical assistants for each Senator from the State of Kentucky, so that the allowance for administrative and clerical assistants for such Senators will be equal to that allowed other Senators from States having a population of more than three million but less than five million, the population of said State having exceeded three million inhabitants.*

Office of the Secretary-----	4, 845
Senate policy committees-----	440
Joint Committee on Printing-----	115
Inquiries and investigations-----	795, 000
Stationery-----	3, 550

Total, Senate-----	828, 950
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**Chapter III. Independent Offices**

Commission on Intergovernmental Relations-----	140, 000
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The committee considered a supplemental estimate which was not submitted to the House, requesting \$160,000 additional, to remain effective until June 30, 1955, in the event the termination date of the Commission is extended by enactment of H. R. 2010.

In recommending an increase of \$140,000 for the Commission, the committee believes the termination date for the Commission should be May 31, 1955, in order to allow time for consideration of the recommendations to be submitted during the 1st session of the 84th Congress. Meanwhile, for the same reason, if practicable, as the Commission may complete its studies on a particular subject, the committee requests that part of the report to be submitted to the Congress, without awaiting the completion of all studies for the final report.

**Foreign Claims Settlement Commission of the United States.**

The committee recommends that \$130,000, as requested in the supplemental estimate, be provided as an additional amount for administrative expenses, together with the unobligated balance of \$45,000 from the old War Claims Commission.

In recommending this increase of \$40,000 over the House allowance, the committee relies on the positive assurance by the Commission that the former war claims program will be finally completed by March 31, 1955, thus allowing faster progress by a trained force on the Korean claims and the new categories of war claims authorized in the 83d Congress.

Total increase-----	968, 950
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Amount of bill as reported to the Senate-----	993, 950
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## Comparative statement of budget estimates and amounts recommended in the bill

H. Doe. No.	Department or agency	Budget estimate	Recommended in House bill	Amount recommended by Senate committee	Increase (+) or decrease (-), Senate bill compared with—	
					Budget estimate	House bill
	CHAPTER I LEGISLATIVE BRANCH SENATE					
	Beneficiaries of deceased Senators-----	-----	-----	\$25, 000	+ \$25, 000	+ \$25, 000
	Office of the Secretary of the Senate-----	-----	-----	4, 845	+ 4, 845	+ 4, 845
	Policy committees-----	-----	-----	440	+ 440	+ 440
	Joint Committee on Printing-----	-----	-----	115	+ 115	+ 115
	Inquiries and investigations-----	-----	-----	795, 000	+ 795, 000	+ 795, 000
	Stationery-----	-----	-----	3, 550	+ 3, 550	+ 3, 550
	Total, Senate-----	-----	-----	828, 950	+ 828, 950	+ 828, 950
	HOUSE OF REPRESENTATIVES					
	Beneficiaries of deceased Members-----	-----	\$25, 000	25, 000	+ 25, 000	-----
	Total, chapter I-----	-----	25, 000	853, 950	+ 853, 950	+ 828, 950
	CHAPTER II DEPARTMENT OF AGRICULTURE					
59	Commodity Credit Corporation-----	(1)	(1)	(1)	-----	-----

<sup>1</sup> Increase in administrative expenses limitation from \$18, 000, 000 to \$25, 290, 000.



## CHAPTER III

## INDEPENDENT OFFICES

S. —		\$160, 000	-----	\$140, 000	—\$20, 000	+\$140, 000
60	Commission on Intergovernmental Relations-----	(2)	(2)			
61	Housing and Home Finance Agency: Federal Housing Administration-----	(2)	(4)			
	Foreign Claims Settlement Commission: Administrative expenses-----	160, 000	-----	140, 000	—20, 000	+140, 000
	Total, chapter III-----	160, 000	25, 000	993, 950	+833, 950	+968, 950
	Grand total-----					

<sup>2</sup> Increases administrative expense limitation by \$125,000, expenses of travel limitation by \$17,600, and nonadministrative expense limitation by \$5,310,000.

<sup>3</sup> Transfers \$130,000 from War Claims Fund, and increases expenses of travel limitation by \$4,000.

<sup>4</sup> Transfers \$90,000 from War Claims Fund, and increases expenses of travel limitation by \$4,000.

O



Calendar No. 2

84TH CONGRESS  
1ST SESSION

# H. R. 2091

[Report No. 6]

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IN THE SENATE OF THE UNITED STATES

JANUARY 14, 1955

Read twice and referred to the Committee on Appropriations

JANUARY 17, 1955

Reported, under authority of the order of the Senate of January 14, 1955, by  
Mr. HAYDEN, with amendments

[Omit the part struck through and insert the part printed in italic]

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## AN ACT

Making appropriations for the fiscal year ending June 30,  
1955, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the following sums are appropriated, out of any money  
4       in the Treasury not otherwise appropriated to supply  
5       appropriations (this Act may be cited as the "Urgent De-  
6       ficiency Appropriation Act, 1955") for the fiscal year  
7       ending June 30, 1955, and for other purposes, namely:



1

## CHAPTER I

2

## LEGISLATIVE BRANCH

3

## SENATE

4

5

6

*For payment to Harriet McCarran, widow of Pat McCarran, late a Senator from the State of Nevada, \$12,500.*

7

8

9

*For payment to Mary R. P. Maybank, widow of Burnet R. Maybank, late a Senator from the State of South Carolina, \$12,500.*

10

## SALARIES, OFFICERS AND EMPLOYEES

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*The appropriation for salaries of officers and employees of the Senate contained in the Legislative Branch Appropriation Act, 1955, is made available for the employment of additional clerical assistants for each Senator from the State of Kentucky, so that the allowance for administrative and clerical assistants for such Senators will be equal to that allowed other Senators from States having a population of more than three million but less than five million, the population of said State having exceeded three million inhabitants.*

21

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## OFFICE OF THE SECRETARY

*Office of the Secretary: For an additional amount for the Office of the Secretary, \$4,845: Provided, That effective February 1, 1955, the basic amount available for clerical assistance and readjustment of salaries in the disbursing office is increased by \$6,600 per annum.*

## CONTINGENT EXPENSES OF THE SENATE

*Senate policy committees: For an additional amount for the Senate policy committees, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, Eighty-third Congress, \$220 for each such committee; in all, \$440.*

*Joint Committee on Printing: For an additional amount for the Joint Committee on Printing, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, Eighty-third Congress, \$115.*

*Inquiries and investigations: For an additional amount for expenses of inquiries and investigations, \$795,000.*

*Stationery: For an additional amount for stationery, \$3,550, and the amount available for stationery for committees and officers of the Senate is hereby increased to \$13,550.*

## HOUSE OF REPRESENTATIVES

*For payment to Florence R. Rogers, widow of Dwight L. Rogers, late a Representative from the State of Florida, \$12,500.*

*For payment to Nora Mack, mother-in-law, and Isabel Kanaga and Florence R. King, sisters, of Paul W. Shafer, late a Representative from the State of Michigan, \$12,500.*

## ARCHITECT OF THE CAPITOL

*Terraces of Capitol Building: Not to exceed \$44,500 of the balance of the appropriation for "Terraces of Capitol*

1 Building” contained in the Legislative Appropriation Act,  
2 1954, unobligated on December 31, 1954, is hereby con-  
3 tinued available, and in addition to the purposes heretofore  
4 authorized shall also be available for reconstruction of the  
5 House and Senate walkways adjacent to the terraces.

## 6 CHAPTER II

### 7 DEPARTMENT OF AGRICULTURE

#### 8 COMMODITY CREDIT CORPORATION

9 The limitation under this heading in the Department  
10 of Agriculture and Farm Credit Administration Appropria-  
11 tion Act, 1955, on the amount available for administrative  
12 expenses of the Corporation is increased from “\$18,000,000”  
13 to “\$25,290,000”.

## 14 CHAPTER III

### 15 INDEPENDENT OFFICES

#### 16 COMMISSION ON INTERGOVERNMENTAL RELATIONS

##### 17 SALARIES AND EXPENSES

18 *For an additional amount for “Salaries and expenses”,*  
19 *\$140,000: Provided, That said appropriation shall remain*  
20 *available until May 31, 1955: Provided further, That this*  
21 *paragraph shall be effective only upon the enactment into*  
22 *law of H. R. 2010, Eighty-fourth Congress.*



## HOUSING AND HOME FINANCE AGENCY

## FEDERAL HOUSING ADMINISTRATION

The amount made available under this head in title II of the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, for administrative expenses, is increased from “\$5,500,000” to “\$5,625,000”, and the limitation on the amount available for the expenses of travel is increased from “\$250,000” to “\$267,600”: *Provided*, That the limitation under said head on the amounts available for certain nonadministrative expenses of said Administration is increased from “\$26,250,000” to not to exceed “\$31,560,000”: *Provided further*, That no part of the funds contained herein shall be available for transfer, but shall be available for use exclusively by the Federal Housing Administration.

## FOREIGN CLAIMS SETTLEMENT COMMISSION

## ADMINISTRATIVE EXPENSES

For an additional amount for “Administrative expenses”, for carrying out the provisions of the Act of August 31, 1954 (Public Law 744), ~~\$90,000~~ \$130,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved July

1 3, 1948) ; and this amount and amounts previously made  
2 available from this source to the Foreign Claims Settlement  
3 Commission for "Administrative expenses" shall remain  
4 available until June 30, 1955: *Provided*, That the limitation  
5 under this head in the Independent Offices Appropriation  
6 Act, 1955, as amended by the Supplemental Appropriation  
7 Act, 1955, on the amount available for expenses of travel of  
8 the Foreign Claims Settlement Commission (War Claims  
9 Commission) is increased from "\$8,000" to \$12,000".

#### 10 CHAPTER IV

#### 11 GENERAL PROVISIONS

12 SEC. 401. No part of any appropriation contained in this  
13 Act, or of the funds available for expenditure by any corpora-  
14 tion included in this Act, shall be used to pay the salary or  
15 wages of any person who engages in a strike against the Gov-  
16 ernment of the United States or who is a member of an  
17 organization of Government employees that asserts the right  
18 to strike against the Government of the United States, or  
19 who advocates, or is a member of an organization that advo-  
20 cates, the overthrow of the Government of the United States  
21 by force or violence: *Provided*, That for the purposes hereof  
22 an affidavit shall be considered prima facie evidence that the  
23 person making the affidavit has not contrary to the provisions  
24 of this section engaged in a strike against the Government of  
25 the United States, is not a member of an organization of

1 Government employees that asserts the right to strike against  
2 the Government of the United States, or that such person  
3 does not advocate, and is not a member of an organization  
4 that advocates, the overthrow of the Government of the  
5 United States by force or violence: *Provided further*, That  
6 any person who engages in a strike against the Government  
7 of the United States or who is a member of an organization  
8 of Government employees that asserts the right to strike  
9 against the Government of the United States, or who advo-  
10 cates, or who is a member of an organization that advocates,  
11 the overthrow of the Government of the United States by  
12 force or violence and accepts employment the salary or  
13 wages for which are paid from any appropriation or fund  
14 contained in this or any other Act shall be guilty of a felony  
15 and, upon conviction, shall be fined not more than \$1,000 or  
16 imprisoned for not more than one year, or both: *Provided*  
17 *further*, That the above penalty clause shall be in addition  
18 to, and not in substitution for, any other provisions of  
19 existing law.

Passed the House of Representatives January 13, 1955.

Attest:

RALPH R. ROBERTS,

*Clerk.*



[Report No. 6]

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**AN ACT**

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Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

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JANUARY 14, 1955

Read twice and referred to the Committee on  
Appropriations

JANUARY 17, 1955

Reported with amendments

# Daily Digest

## HIGHLIGHTS

House received President's budget message.

House committee began hearings on bill to extend President's authority to enter into trade agreements.

## Senate

The Senate was not in session today. Its next meeting will be held on Tuesday, January 18, at 12 noon.

### Committee Meetings

(Committees not listed did not meet)

#### URGENT DEFICIENCY APPROPRIATIONS

*Committee on Appropriations:* Committee, in executive session, ordered favorably reported, with amendments, H. R. 2091, Urgent Deficiency Appropriations Act, 1955. As approved, the bill would provide total funds of \$993,950, an increase of \$968,950 over the House-passed figure of \$25,000.

#### ORGANIZATION AND COMMITTEE BUSINESS

*Committee on Interstate and Foreign Commerce:* Committee met in executive session, following which it was

announced that it had ordered favorably reported: (1) With an amendment, S. Res. 13, to investigate certain problems relating to interstate and foreign commerce (amendment would provide funds of \$200,000 for such purposes), and (2) 9 routine nominations in the Coast and Geodetic Survey.

The committee also announced the appointment of the following 4 standing subcommittees: Subcommittee No. 1—Surface Transportation (Senator Smathers, chairman); Subcommittee No. 2—Communications (Senator Pastore, chairman); Subcommittee No. 3—Aviation (Senator Monroney, chairman); and Subcommittee No. 4—Merchant Marine and Fisheries (Senator Magnuson, chairman).

## House of Representatives

### Chamber Action

**Bills Introduced:** 87 public bills, H. R. 2369-2455; 75 private bills, H. R. 2456-2530; and 28 resolutions, H. J. Res. 137-142, H. Con. Res. 28-43, and H. Res. 88-93, were introduced.

Pages 355-359

**Internal Revenue Code:** Passed by a voice vote H. R. 2369, providing for the correction of an error in the Internal Revenue Code.

Page 311

**Commission on Governmental Operations:** Adopted and thereby cleared for the President S. J. Res. 4, providing for continuation in office of certain members of the Commission on Governmental Operations.

Pages 311-312

**President's Message—Budget:** Heard the reading of the President's budget message in which the 1956 ex-

penditures are estimated at \$62.4 billion, which is \$1.1 billion less than for the current year. The message was referred to the Committee on Appropriations and ordered printed as a House document (H. Doc. 16).

Pages 313-338

**Internal Revenue Taxation:** Heard the reading of a communication that announced the appointment of Representative Mills to membership on the Joint Committee on Internal Revenue Taxation. He will serve on this joint committee with the following House Members: Representatives Cooper, Dingell, Reed of New York, and Jenkins.

Page 341

**Committee Resignations:** Received and read letters of resignation from membership on the Committee on House Administration from the following members: Representatives Garmatz, Deane, Moss, and Trimble.

Pages 341-342

**Program for Thursday:** Adjourned at 2:20 p. m. until Thursday, January 20, at 12 o'clock noon, when the House will receive the President's economic report.

## Committee Meetings

### TRADE AGREEMENTS

*Committee on Ways and Means:* Secretary of State Dulles and Secretary of Agriculture Benson urged enactment today of the proposed bill (H. R. 1) to extend the authority of the President to enter into trade agreements. Speaking in support of the foreign economic program, as outlined by President Eisenhower on January 10, Secretary Dulles said that the proposal under consideration would extend for 3 years the present Trade Agreements Act, which goes back to 1934, and it would authorize the President, subject to the present peril and escape-clause provisions—

1. To reduce, through multilateral and reciprocal negotiations, tariff rates on selected commodities by not more than 5 percent per year for 3 years.

2. To reduce, through multilateral and reciprocal negotiations, any tariff rates in excess of 50 percent to that level over a 3-year period; and

3. To reduce, by not more than one-half over a 3-year period, tariff rates in effect on January 1, 1945, on articles which are not now being imported or which are being imported only in negligible quantities.

Secretary Benson, summarizing his testimony in support of the bill, stated that the—

Trade agreements legislation, and indeed the general foreign trade program recommended by the President, are programs in the national interest, meriting strong nonpartisan support. The free nations of the world are economically interdependent. Each country needs many products from the other countries if we are all to achieve economic strength. Moderation in reducing our tariffs is the underlying philosophy of this act. Provisions of this act call for both gradual and selective tariff liberalization. The passage of this act would not result in sudden, arbitrary, or inequitably severe burdens on any segment of our American economy.

Foreign Operations Administrator Stassen, who was originally scheduled to appear today, is expected to testify on Wednesday morning. Tomorrow's witnesses are Secretary of Commerce Weeks and Secretary of Defense Wilson in the morning, and Secretary of Treasury Humphrey and Secretary of Labor Mitchell in the afternoon.

### COMMITTEE MEETINGS FOR TUESDAY, JANUARY 18

(All meetings are open unless otherwise designated)

#### Senate

*Committee on Armed Services*, executive, organizational meeting, 10:30 a. m., 212 Senate Office Building.

*Committee on the District of Columbia*, executive, organizational meeting, 11:30 a. m., room P-38, Capitol.

*Committee on Foreign Relations*, executive, on nominations and miscellaneous matters, 10 a. m., room F-53, Capitol.

*Committee on Government Operations*, executive, organizational meeting, 10 a. m., 357 Senate Office Building.

#### House

*Committee on Ways and Means*, public hearings on H. R. 1, to extend authority of the President to enter into trade agreements, 1102 New House Office Building. Scheduled to testify are Secretary of Commerce Weeks (10 a. m.), Secretary of Defense Wilson (11 a. m.), Secretary of Treasury Humphrey (2 p. m.), and Secretary of Labor Mitchell (3 p. m.).







# Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(For Department Staff Only)

Issued January 19, 1955  
For actions of January 18, 1955  
84th-1st, No. 8

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HIGHLIGHTS: Senate passed urgent deficiency appropriation bill including CCC item without change. Sen. Bennett inserted Sec. Benson's speech on progress in dairying. Sen. Humphrey introduced and discussed bill to prohibit limitation on community committeemen tenure. Sen. Humphrey introduced and discussed measure for Commission on Government Security and criticized handling of Ladejinsky case.

## SENATE

1. URGENT DEFICIENCY APPROPRIATION BILL, 1955. Passed with amendments this bill, H. R. 2091, which includes (without change) an increase of \$7,290,000 in the CCC administrative-expense limitation for 1955 (pp. 379-83). Sens. Hayden, Russell, Chavez, Bridges, and Saltonstall were appointed Senate conferees (p. 381). The bill had been reported with amendments by the Appropriations Committee on Jan. 17 during adjournment of the Senate (S. Rept. 6)(p. 361). The Senate agreed to an amendment providing \$160,000 additional for the Commission on Intergovernmental Relations (pp. 379-80), which was the same as the budget estimate (S. Doc. 6)(p. 362). Sen. Hayden inserted a financial report on various Senate investigations (pp. 381-3).
2. BUDGET. Received the 1956 Budget (p. 361).
3. FCIC annual report was received (p. 362).
4. ADJOURNED until Fri., Jan. 21 (p. 391).

## HOUSE

5. AGRICULTURAL APPROPRIATION BILL, 1956. House hearings are to begin Jan. 25. Hearings for individual agencies are to start Jan. 31.
6. APPROPRIATIONS COMMITTEE ASSIGNMENTS. Attached to this Digest is a list of the subcommittees of the Appropriations Committee and the majority members thereon designated by the Chairman. Blank lines indicate positions for minority



members, appointments to which are to be announced later.

#### BILLS INTRODUCED

7. SOIL CONSERVATION; ACREAGE ALLOTMENTS. S. 494, by Sen. Carlson; S. 517, by Sen. Case, S. Dak.; and S. 532, by Sen. Young, to repeal Sec. 348 of the Agricultural Adjustment Act of 1938, as amended, prohibiting ACP payments to persons who exceed acreage allotments on basic commodities; to Agriculture and Forestry Committee (pp. 365-6).
8. ADMINISTRATIVE PROCEDURE. By Sen. Eastland: S. 488, to create a U. S. Administrative Court; S. 489, to provide general rules of practice and procedure before Federal agencies; S. 490, "to amend the Administrative Procedure Act" and eliminate certain exemptions therefrom; and S. 491, to provide for attorneys' liens in proceedings before U. S. courts or agencies; to Judiciary Committee (p. 365).
9. CCC CLAIMS. S. 493, by Sen. Carlson, and S. 546, by Sen. Capehart, to relieve innocent purchasers of fungible goods converted by warehousemen from CCC claims; to Agriculture and Forestry Committee (pp. 365-6).
10. WATER RESEARCH. S. 516, by Sen. Case, S. Dak., "to amend the act of July 3, 1952, relating to research in the development and utilization of saline waters"; to Interior and Insular Affairs Committee (p. 366).
11. PUBLIC LANDS. S. 531, by Sen. Watkins, to require public hearings prior to withdrawals off public lands, to limit temporary withdrawals to 5 years, etc.; to Interior and Insular Affairs Committee (p. 366). Remarks of author (pp. 369-70).
12. ROADS. S. 537, by Sen. Young (for himself and Sen. Langer), to enable Federal road funds to be used for county and township roads; to Public Works Committee (p. 366).
13. MINERALS; FARM LOANS. S. 538, by Sen. Young (for himself and Sen. Langer), to prohibit certain reservations of mineral interests by Federal land banks, the Land Bank Commissioner, and the Federal Farm Mortgage Corporation, and to provide for disposition of certain mineral interests heretofore reserved by them; to Agriculture and Forestry Committee (p. 366).
14. INTER-GOVERNMENTAL RELATIONS. S. 539, by Sen. Humphrey, "to amend the act... which created the Commission on Intergovernmental Relations;" to Government Operations Committee (p. 366).
15. CONTRACTS. S. 543, by Sen. Bricker, to establish the finality of contracts between the Government and common carriers of passengers and freight subject to the Interstate Commerce Act; to Interstate and Foreign Commerce Committee (p. 366).
16. COMMUNITY COMMITTEEMEN. S. 544, to prohibit restrictions on election of community committeemen; to Agriculture and Forestry Committee (p. 366). Remarks of author (pp. 370-1).
17. EDUCATION. S. 533, by Sen. Young, to increase the education and training allowances under the Servicemen's Readjustment Act; to Labor and Public Welfare Committee (p. 366).

84TH CONGRESS  
1ST SESSION

# H. R. 2091

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 18, 1955

Ordered to be printed with the amendments of the Senate numbered

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## AN ACT

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2   *tives of the United States of America in Congress assembled.*  
3   That the following sums are appropriated, out of any money  
4   in the Treasury not otherwise appropriated to supply  
5   appropriations (this Act may be cited as the "Urgent De-  
6   ficiency Appropriation Act, 1955") for the fiscal year  
7   ending June 30, 1955, and for other purposes, namely:

## CHAPTER I

## LEGISLATIVE BRANCH

## (1)SENATE

(2)For payment to Harriet McCarran, widow of Pat McCarran, late a Senator from the State of Nevada, \$12,500.

(3)For payment to Mary R. P. Maybank, widow of Burnet R. Maybank, late a Senator from the State of South Carolina, \$12,500.

## (4)SALARIES, OFFICERS AND EMPLOYEES

The appropriation for salaries of officers and employees of the Senate contained in the Legislative Branch Appropriation Act, 1955, is made available for the employment of additional clerical assistants for each Senator from the State of Kentucky, so that the allowance for administrative and clerical assistants for such Senators will be equal to that allowed other Senators from States having a population of more than three million but less than five million, the population of said State having exceeded three million inhabitants.

## (5)OFFICE OF THE SECRETARY

Office of the Secretary: For an additional amount for the Office of the Secretary, \$4,845: Provided, That effective February 1, 1955, the basic amount available for clerical assistance and readjustment of salaries in the disbursing office is increased by \$6,600 per annum.



(6) CONTINGENT EXPENSES OF THE SENATE

(7) Senate policy committees: For an additional amount for the Senate policy committees, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, Eighty-third Congress, \$220 for each such committee; in all, \$440.

(8) Joint Committee on Printing: For an additional amount for the Joint Committee on Printing, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, Eighty-third Congress, \$115.

(9) Inquiries and investigations: For an additional amount for expenses of inquiries and investigations, \$795,000.

(10) Stationery: For an additional amount for stationery, \$3,550, and the amount available for stationery for committees and officers of the Senate is hereby increased to \$13,550.

HOUSE OF REPRESENTATIVES

For payment to Florence R. Rogers, widow of Dwight L. Rogers, late a Representative from the State of Florida, \$12,500.

For payment to Nora Mack, mother-in-law, and Isabel Kanaga and Florence R. King, sisters, of Paul W. Shafer, late a Representative from the State of Michigan, \$12,500.

ARCHITECT OF THE CAPITOL

Terraces of Capitol Building: Not to exceed \$44,500 of the balance of the appropriation for "Terraces of Capitol

1 Building” contained in the Legislative Appropriation Act,  
 2 1954, unobligated on December 31, 1954, is hereby con-  
 3 tinued available, and in addition to the purposes heretofore  
 4 authorized shall also be available for reconstruction of the  
 5 House and Senate walkways adjacent to the terraces.

## 6 CHAPTER II

### 7 DEPARTMENT OF AGRICULTURE

#### 8 COMMODITY CREDIT CORPORATION

9 The limitation under this heading in the Department  
 10 of Agriculture and Farm Credit Administration Appropria-  
 11 tion Act, 1955, on the amount available for administrative  
 12 expenses of the Corporation is increased from “\$18,000,000”  
 13 to “\$25,290,000”.

## 14 CHAPTER III

### 15 INDEPENDENT OFFICES

#### 16 (11) COMMISSION ON INTERGOVERNMENTAL RELATIONS

##### 17 SALARIES AND EXPENSES

18 *For an additional amount for “Salaries and expenses”,*  
 19 *\$160,000: Provided, That said appropriation shall remain*  
 20 *available until June 30, 1955: Provided further, That this*  
 21 *paragraph shall be effective only upon the enactment into*  
 22 *law of H. R. 2010, Eighty-fourth Congress.*

## HOUSING AND HOME FINANCE AGENCY

## FEDERAL HOUSING ADMINISTRATION

The amount made available under this head in title II of the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, for administrative expenses, is increased from “\$5,500,000” to “\$5,625,000”, and the limitation on the amount available for the expenses of travel is increased from “\$250,000” to “\$267,600”: *Provided*, That the limitation under said head on the amounts available for certain nonadministrative expenses of said Administration is increased from “\$26,250,000” to not to exceed “\$31,560,000”: *Provided further*, That no part of the funds contained herein shall be available for transfer, but shall be available for use exclusively by the Federal Housing Administration.

## FOREIGN CLAIMS SETTLEMENT COMMISSION

## ADMINISTRATIVE EXPENSES

For an additional amount for “Administrative expenses”, for carrying out the provisions of the Act of August 31, 1954 (Public Law 744), ~~(12)\$90,000~~ \$130,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved



1 July 3, 1948) ; and this amount and amounts previously  
2 made available from this source to the Foreign Claims Settle-  
3 ment Commission for “Administrative expenses” shall remain  
4 available until June 30, 1955: *Provided*, That the limitation  
5 under this head in the Independent Offices Appropriation  
6 Act, 1955, as amended by the Supplemental Appropriation  
7 Act, 1955, on the amount available for expenses of travel of  
8 the Foreign Claims Settlement Commission (War Claims  
9 Commission) is increased from “\$8,000” to “\$12,000”.

#### 10 CHAPTER IV

#### 11 GENERAL PROVISIONS

12 SEC. 401. No part of any appropriation contained in this  
13 Act, or of the funds available for expenditure by any corpora-  
14 tion included in this Act, shall be used to pay the salary or  
15 wages of any person who engages in a strike against the Gov-  
16 ernment of the United States or who is a member of an  
17 organization of Government employees that asserts the right  
18 to strike against the Government of the United States, or  
19 who advocates, or is a member of an organization that advo-  
20 cates, the overthrow of the Government of the United States  
21 by force or violence: *Provided*, That for the purposes hereof  
22 an affidavit shall be considered prima facie evidence that the  
23 person making the affidavit has not contrary to the provisions  
24 of this section engaged in a strike against the Government of  
25 the United States, is not a member of an organization of

1 Government employees that asserts the right to strike against  
2 the Government of the United States, or that such person  
3 does not advocate, and is not a member of an organization  
4 that advocates, the overthrow of the Government of the  
5 United States by force or violence: *Provided further*, That  
6 any person who engages in a strike against the Government  
7 of the United States or who is a member of an organization  
8 of Government employees that asserts the right to strike  
9 against the Government of the United States, or who advo-  
10 cates, or who is a member of an organization that advocates,  
11 the overthrow of the Government of the United States by  
12 force or violence and accepts employment the salary or  
13 wages for which are paid from any appropriation or fund  
14 contained in this or any other Act shall be guilty of a felony  
15 and, upon conviction, shall be fined not more than \$1,000 or  
16 imprisoned for not more than one year, or both: *Provided*  
17 *further*, That the above penalty clause shall be in addition  
18 to, and not in substitution for, any other provisions of  
19 existing law.

Passed the House of Representatives January 13, 1955.

Attest: RALPH R. ROBERTS,  
*Clerk.*

Passed the Senate with amendments January 18, 1955.

Attest: FELTON M. JOHNSTON,  
*Secretary.*

84TH CONGRESS  
1ST SESSION

H. R. 2091

## AN ACT

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 18, 1955

Ordered to be printed with the amendments of the  
Senate numbered



full membership of the committee, I ask unanimous consent that the bill be not referred to the committee, but that it be taken up now for action on the floor of the Senate.

The PRESIDING OFFICER (Mr. CASE of South Dakota in the chair). The Chair lays before the Senate a bill coming over from the House of Representatives.

The bill (H. R. 2369) to amend section 7237 of the Internal Revenue Code of 1954, was read twice by its title.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. KNOWLAND. Mr. President, the distinguished chairman of the Committee on Finance spoke to me this morning about the bill and stated that it had the unanimous approval of the Committee on Finance. As I understand, the purpose of the bill is to correct an inadvertent error in the revenue bill, in which a penalty was omitted. Is that an accurate statement?

Mr. BYRD. The statement of the Senator from California is entirely accurate.

Mr. KNOWLAND. I have no objection. I think it is a very essential bill and should be passed.

Mr. JOHNSON of Texas. The bill was passed unanimously by the House of Representatives. Is not that correct?

Mr. BYRD. That is true.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (H. R. 2369) to amend section 7237 of the Internal Revenue Code of 1954.

Mr. BYRD. Mr. President, I should like to make a brief explanation of the bill.

Section 7237 of the Internal Revenue Code of 1954 provides penalties for certain narcotic law offenses. In the codification of the narcotic penalties contained in this provision of the 1954 code, the penalties were inadvertently made inapplicable to certain offenses described in part I of subchapter A of chapter 39. While penalties contained elsewhere than in the Internal Revenue Code remained unaffected, the section 7237 penalties were applicable to these offenses under the 1939 code, and there was no intention to make any change in prior law penalties for these offenses, involving traffic in opium, and isonipecaine, opiates, and coca leaves. The bill will simply correct these inadvertencies which occurred in the codification of the 1934 code by making the penalty provisions for all the offenses described in part I of subchapter A of chapter 39, the same as they were before the passage of the Internal Revenue Code of 1954.

This measure has the approval of the members of the Senate Finance Committee.

The PRESIDING OFFICER. The question is on the third reading and passage of the bill.

The bill (H. R. 2369) was ordered to a third reading, read the third time, and passed.

## URGENT DEFICIENCY APPROPRIATIONS, 1955

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of the bill H. R. 2091, the urgent deficiency appropriation bill.

The PRESIDING OFFICER (Mr. CASE of South Dakota in the chair). The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (H. R. 2091) making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 2091) making appropriations for the fiscal year ending June 30, 1955, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

Mr. HAYDEN. Mr. President, I ask unanimous consent that the committee amendments be first considered.

The PRESIDING OFFICER. Without objection, it is so ordered, and the committee amendments will be stated.

The first amendment of the Committee on Appropriations was, under the heading "Chapter I—Legislative Branch," on page 2, after line 2, to insert:

### SENATE

For payment to Harriet McCarran, widow of Pat McCarran, late a Senator from the State of Nevada, \$12,500.

The amendment was agreed to.

The next amendment was, on page 2, after line 6, to insert:

For payment to Mary R. P. Maybank, widow of Burnet R. Maybank, late a Senator from the State of South Carolina, \$12,500.

The amendment was agreed to.

The next amendment was, on page 2, after line 9, to insert:

### SALARIES, OFFICERS AND EMPLOYEES

The appropriation for salaries of officers and employees of the Senate contained in the Legislative Branch Appropriation Act, 1955, is made available for the employment of additional clerical assistants for each Senator from the State of Kentucky, so that the allowance for administrative and clerical assistants for such Senators will be equal to that allowed other Senators from States having a population of more than 3 million but less than 5 million, the population of said State having exceeded 3 million inhabitants.

The amendment was agreed to.

The next amendment was, on page 2, after line 19, to insert:

### OFFICE OF THE SECRETARY

Office of the Secretary: For an additional amount for the Office of the Secretary, \$4,845: *Provided*, That effective February 1, 1955, the basic amount available for clerical assistance and readjustment of salaries in the disbursing office is increased by \$6,600 per annum.

The amendment was agreed to.

The next amendment was, at the top of page 3, to insert:

### CONTINGENT EXPENSES OF THE SENATE

Senate policy committees: For an additional amount for the Senate policy committees, for agency contribution for Federal employees group life insurance, as au-

thorized by Public Law 598, 83d Congress, \$220 for each such committee; in all, \$440.

The amendment was agreed to.

The next amendment was, on page 3, after line 6, to insert:

Joint Committee on Printing: For an additional amount for the Joint Committee on Printing, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, 83d Congress, \$115.

The amendment was agreed to.

The next amendment was, on page 3, after line 10, to insert:

Inquiries and investigations: For an additional amount for expenses of inquiries and investigations, \$795,000.

The amendment was agreed to.

The next amendment was, on page 3, after line 12, to insert:

Stationery: For an additional amount for stationery, \$3,550, and the amount available for stationery for committees and officers of the Senate is hereby increased to \$13,550.

The amendment was agreed to.

The next amendment was, under the heading "Chapter III—Independent Offices," on page 4, after line 15, to insert:

### COMMISSION ON INTERGOVERNMENTAL RELATIONS

#### SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses," \$140,000: *Provided*, That said appropriation shall remain available until May 31, 1955: *Provided further*, That this paragraph shall be effective only upon the enactment into law of H. R. 2010, 84th Congress.

Mr. DIRKSEN. Mr. President, I shall not offer an amendment to restore the amount which was requested by the agency affected by this amendment, but I think I should point out that the agency was created by a joint resolution which was referred to the Committee on Government Operations. As I recall, the late Senator Taft offered such a resolution, as I believe the distinguished Senator from Minnesota [Mr. HUMPHREY] also did. I know such a resolution was introduced by former Senator Ferguson. I know that Senator Taft was long interested in the matter.

At long last we have had established a commission to investigate the relations between the States and Federal Government, and other pertinent relations. Such a commission was urged by the Governors of many States. The Commission has compiled a great deal of data and information. That information is ready. The Commission has a staff. It will take a while to complete the data. As a result of such information, the Commission will make recommendations to Congress.

It is a field that is highly controversial. It is a field that engages Representatives and Senators in discussion almost every day. It relates not only to the fiscal field, but to fields involving highways, gasoline, and other taxes, and other related subjects. It seems to me that after the work has been done and data have been assembled, and the agency is now asking for \$160,000 to complete its work, we should not exercise the fine art of cheese paring and take off \$20,000. The denial of such funds may conceivably



stop the work of the agency. It would look as if, after the apples are ripe on the tree, we were not appropriating the money to harvest the fruit.

At the time the full committee considered the matter it was my notion that the entire \$160,000 should be allowed.

I wanted to acquaint the Senate with these facts so that if someone, out of the generosity and graciousness of his heart, wanted to move that the Senate restore the amount which was cut, the Senate would have an opportunity to do so.

Mr. HAYDEN. Mr. President, will the Senator from Illinois yield?

Mr. DIRKSEN. I yield to the Senator from Arizona.

Mr. HAYDEN. I should like to inform the Senator that the reduction was made at the suggestion of the senior Senator from Massachusetts [Mr. SALTONSTALL], who has inherited from his New England ancestors a sense of thrift, and who does not like to see dollars go out of the Treasury any sooner than necessary. The amount of \$18,000 out of the \$20,000 was cut below the budget estimate because of a doubt about the need for terminal leave payments. It was stated that many of the employees of the Commission had accrued leave pay due them when transferred from the agency of the Government in which they were formerly employed. It was believed that if such employees went back to their former employment, the additional earned leave benefits could be transferred along with them to their former agencies. In any event, such money would not be due until June or July. The reduction of the fund was not a complete denial of the Commission's request. Funds amounting to about \$2,000 were also requested for the purchase of equipment which the committee believed could be obtained from the General Services Administration. I do not think the Commission is going to suffer from the cut. I should also like to bring to the attention of the Senate that the date set forth in the amendment is May 31, 1953. The Senator from Minnesota [Mr. HUMPHREY] and the Senator from Kansas [Mr. SCHOEPP], who are two Senators who are on the Commission, have asked if it would not be possible to make the date June 30, for the reason that there is so much work to be done in a comparatively short time. The Senators say that the Commission is going to do its very best to bring in a final report on time, and we have a definite commitment that the Commission will submit interim reports. As the Commission finishes one study it will report its recommendations to the Congress. If no report is made until the entire work of the Commission is completed, there might not be an opportunity to consider any of its recommendations during the present session of Congress, whereas if the Commission had made up its mind in any particular field, its recommendation in that field could be referred to the appropriate committees of the House and Senate.

Mr. DIRKSEN. Mr. President, I think I can concede everything the distinguished chairman of the Committee on Appropriations has said. However, there may be some employees of the Commission who did not come from another

agency, so that the jurisdiction over terminal leave would not repose in the other agency. That may or may not be the case, but, as I look at the matter, it is important to make sure that the staff of the Commission on Intergovernmental Relations is not dissipated. If someone on the staff should say, "This is the end of it; it appears that Congress is going to be a little niggardly in providing funds to enable us to assemble and get these data together," we may see defections among the staff of the Commission. For the sake of \$20,000, I would not want to undertake the hazard of the agency's not doing a good job. The staff has been at its work a long time. The work will have cost about three-quarters of a million dollars. At the shank of the work, I would not want to be in the position of cutting off \$20,000 after the agency has stated to the Budget Bureau, to the President, and to the appropriate committees that, in its judgment, it needed \$20,000 to complete its work.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I have in my hand a letter from the Representative from the Fifth Congressional District of Arkansas, Mr. Brooks Hays, the sponsor of H. R. 2010. He writes me as follows:

DEAR HUBERT: I regret very much that I made a mistake in the extension date in H. R. 2010 for the Commission on Intergovernmental Relations. As you know, it should have been June 30 and not June 1 as the printed bill carries it. I am taking steps to substitute the correct date as fixed by the Commission in its formal request for an extension, and I trust that this error on my part will not embarrass you in getting the necessary funds to enable the Commission to complete its work. I am convinced that the full 4 months is needed.

As to the amount, it seems to me that the committee might well grant the full amount requested since both chairman and staff have been conservative, and I am sure they will be interested in holding expenses down to a minimum. Since the Commission does not have continuing life, it would be an extreme handicap to the staff in winding up its work to run out of money.

With high regards, I am,  
Sincerely yours,

BROOKS HAYS.

I may say to the Senator from Illinois that the position he has taken is the position which the Commission itself took, in formal resolution, after careful consideration of the needs of the Commission, and with its program finally arrived at. I might say that Mr. Kestnbaum, the chairman of this Commission appointed by the President, is doing an outstanding job.

He is working tirelessly, and he has an able staff which is doing a creditable and very detailed piece of work. So I feel very much as does the Senator from Illinois, namely, that we have almost arrived at the finish line, so to speak. We have gotten over some rather difficult political terrain. As we know, there was a change in the chairmanship, the President had to appoint a new chairman, following the resignation of Mr. Manion. We had a slow start, but we are making progress.

So, as the Senator from Arizona [Mr. HAYDEN] has pointed out, I hope the date "June 30" may be provided in the supplemental appropriation bill on which we are working.

Mr. HAYDEN. Mr. President, does the Senator from Minnesota offer an amendment to that effect?

Mr. HUMPHREY. Mr. President, I shall do so, if the Senator from Illinois will yield to me for that purpose.

Mr. DIRKSEN. I yield.

Mr. HUMPHREY. I offer the following amendment to the committee amendment: In the committee amendment on page 4, in line 20, strike out "May 31", and insert in lieu thereof "June 30", so that the date will be June 30, 1955.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Minnesota to the committee amendment.

Mr. HAYDEN. Mr. President, inasmuch as the bill will probably have to go to conference, I shall not object to the amendment to the committee amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Minnesota [Mr. HUMPHREY] to the committee amendment on page 4, in line 20.

The amendment to the amendment was agreed to.

Mr. DIRKSEN. Mr. President, under the circumstances, and in order to crystallize the matter, I offer the following amendment to the committee amendment on page 4, beginning in line 16: In line 19, strike out "\$140,000", and insert in lieu thereof "\$160,000".

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Illinois to the committee amendment on page 4, in line 19.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. If there be no further amendment to be proposed to the committee amendment on page 4, the question is on agreeing to the committee amendment, as amended.

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. The next committee amendment will be stated.

The next amendment was, under the subhead "Foreign Claims Settlement Commission—Administrative Expenses," on page 5, line 20, after ("Public Law 744"), to strike out "\$90,000" and insert "\$130,000."

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H. R. 2091) was passed.

Mr. HAYDEN. Mr. President, I move that the Senate insist upon its amendments, request a conference thereon with



the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. HAYDEN, Mr. RUSSELL, Mr. CHAVEZ, Mr. BRIDGES, and Mr. SALTONSTALL conferees on the part of the Senate.

Mr. HAYDEN. Mr. President, on page 3 of the bill appears a committee amendment appropriating an additional amount of \$795,000 for inquiries and investigations. I have asked the financial clerk of the Senate to prepare a table indicating the total expenditures for current inquiries and investigations by committees of the Senate, and a further breakdown showing what was spent in the present fiscal year. He has not quite completed those figures at this time. However, for the information of the Senate—because the question of the cost of investigating committees is a live one, and before very long will be before the Senate Committee on Rules and Administration—I ask unanimous consent to have printed in the RECORD, as a part of my remarks, the tabulations to which I have referred.

The PRESIDING OFFICER. Is there objection?

There being no objection, the tabulations were ordered to be printed in the RECORD, as follows:

*Contingent expenses, Senate, expenses of inquiries and investigations, fiscal year 1955, as of Dec. 31, 1954*

Appropriated.....	\$1,224,120.00
Committee on Appropriations, S. Res. 193 (investigations division).....	400,000.00
Joint Committee on Defense Productions.....	25,000.00
	<hr/> 425,000.00
Available for other expenses of inquiries and investigations.....	<hr/> 799,120.00
Expenditures for inquiries and investigations for the period July 1 to Dec. 31, 1954, as follows:	
Subcommittees:	
Agriculture and Forestry (S. Res. 304) (importation of wheat).....	1,512.92
Armed Services (S. Res. 185) (investigations subcommittee).....	43,144.53
Banking and Currency (S. Res. 182) (Federal Reserve matters, etc.).....	18,431.83
Banking and Currency (S. Res. 183) (expansion of international trade).....	23,829.13
Banking and Currency (S. Res. 289) (FHA housing).....	165,854.62
Foreign Relations (S. Res. 214) (technical assistance programs).....	845.57
Foreign Relations (S. Res. 193) (International Peace and Security Organization).....	11,809.71
Government Operations (S. Res. 189) (Permanent Investigating Subcommittee).....	89,932.06
Interior and Insular Affairs (S. Res. 233) (fuel reserves of United States).....	1,710.03

*Contingent expenses, Senate, expenses of inquiries and investigations, fiscal year 1955, as of Dec. 31, 1954—Continued*

Subcommittees—Continued	
Interior and Insular Affairs (S. Res. 271) (critical raw materials).....	\$13,092.01
Interstate and Foreign Commerce (S. Res. 173) (communications, transportation, etc.).....	34,810.29
Judiciary (S. Res. 188) (western European refugees).....	11,285.62
Judiciary (S. Res. 172) (Internal Security).....	96,244.94
Judiciary (S. Res. 181) (investigations subcommittee).....	39,594.44
Judiciary (S. Res. 190) (juvenile delinquency).....	88,845.29
Judiciary (S. Res. 62 and 187) (national penitentiaries).....	1,123.22
Judiciary (S. Res. 227) (Trading With the Enemy Act).....	7,003.70
Labor and Public Welfare (S. Res. 270) (welfare and pension funds).....	61,292.43
Rules and Administration (S. Res. 137 and 237) (privileges and elections).....	8,928.60
Small Business (S. Res. 115).....	671.47
Select Committee to Consider S. Res. 301, 83d Cong.....	14,630.63
Standing Committees:	
Agriculture and Forestry....	190.06
Appropriations.....	11,120.25
Armed Services.....	3,615.01
Banking and Currency.....	1,879.14
District of Columbia.....	835.27
Finance.....	989.85
Foreign Relations.....	4,866.43
Government Operations....	478.42
Interior and Insular Affairs..	7,064.13
Interstate and Foreign Commerce.....	1,252.60
Judiciary.....	7,509.13
Labor and Public Welfare....	590.87
Post Office and Civil Service.....	1,407.65
Public Works.....	1,804.25
Rules and Administration.....	3,056.76
Small Business.....	1,270.62
Total.....	<hr/> 782,523.48
Paid from 1953 and 1954 appropriations.....	60,485.02
Total paid from 1955 appropriation.....	<hr/> 722,038.46
Balance, Dec. 31, 1954.....	177,081.54
Of which amount, \$42,058.30 held in reserve for advances to committee chairmen.	
EXPENSES OF INQUIRIES AND INVESTIGATIONS—SUBCOMMITTEE ALLOTMENTS, EXPENSES, AND BALANCES, DECEMBER 31, 1954	
Committee on Agriculture and Forestry (making a study of the importation of wheat) under authority of Senate Resolution 127, agreed to July 10, 1953, Senate Resolution 218, agreed to March 10, 1954, and Senate Resolution 304, agreed to August 11, 1954.	
Limitation, January 31, 1955 (S. Res. 218).	
Amounts authorized:	
By S. Res. 127.....	\$15,000.00
By S. Res. 304.....	12,000.00
Total.....	<hr/> 27,000.00
Expenditures to Dec. 31, 1954.....	11,766.72
Balance, Jan. 1, 1955.....	<hr/> 15,233.28

Committee on Appropriations (subcommittee for the purpose of obtaining factual data) under authority of Senate Resolution 193, agreed to October 14, 1943, and Legislative Branch Appropriation Act for 1955.

Limitation, fiscal year 1955.  
Amount appropriated: Legislative Branch Appropriation Act.....\$400,000.00  
Expenditures to Dec. 31, 1954.....53,583.79

Balance, Jan. 1, 1955.....346,416.21

Committee on Appropriations (subcommittee investigating any matter within the jurisdiction of the committee) under authority of Senate Resolution 129, agreed to June 26, 1947.

No limitation.  
Amount authorized.....\$50,000.00  
Expenditures to Dec. 31, 1954.....25,848.51

Balance, Jan. 1, 1955.....24,151.49

Committee on Armed Services (Preparedness Subcommittee) under authority of Senate Resolution 185, agreed to January 26, 1954.

Limitation, February 1, 1954, to January 31, 1955.  
Amount authorized.....\$150,000.00  
Expenditures to Dec. 31, 1954.....80,945.83

Balance, Jan. 1, 1955.....69,054.17

Committee on Banking and Currency (subcommittee investigating Federal Reserve matters; Export-Import Bank, and defense housing) under authority of Senate Resolution 64, agreed to February 19, 1951, Senate Resolution 248, agreed to January 24, 1952, Senate Resolution 42, agreed to January 30, 1953, and Senate Resolution 182, agreed to January 26, 1954.

Limitation, January 31, 1955 (S. Res. 182).  
Amounts authorized:  
By S. Res. 64.....\$50,000.00  
By S. Res. 248.....28,000.00  
By S. Res. 42.....23,000.00  
By S. Res. 182.....16,000.00

Total.....117,000.00  
Expenditures to Dec. 31, 1954.....96,241.78

Balance, Jan. 1, 1955.....20,758.22

Committee on Banking and Currency (subcommittee investigating international trade) under authority of Senate Resolution 25, agreed to June 8, 1953, and Senate Resolution 183, agreed to January 26, 1954.

Limitation, January 31, 1955 (S. Res. 183).  
Amounts authorized:  
By S. Res. 25.....\$67,000.00  
By S. Res. 183.....83,000.00

Total.....150,000.00  
Expenditures to Dec. 31, 1954.....73,898.38

Balance, Jan. 1, 1955.....76,101.62

Committee on Banking and Currency (subcommittee investigating the FHA) under authority of Senate Resolution 229, agreed to April 23, 1954, and Senate Resolution 289, agreed to August 11, 1954.

Limitation, January 31, 1955 (S. Res. 229).  
Amounts authorized:  
By S. Res. 229.....\$150,000.00  
By S. Res. 289.....75,000.00

Total.....225,000.00  
Expenditures to Dec. 31, 1954.....172,549.15

Balance, Jan. 1, 1955.....52,450.85

Committee on Finance (subcommittee investigating the social-security programs)



under authority of Senate Resolution 300, agreed to June 20, 1950.

No limitation.

Amount authorized ----- \$25,000  
No expenditures to December 31, 1954.

Committee on Foreign Relations (subcommittee making a study of foreign technical assistance programs) under authority of Senate Resolution 214, agreed to July 6, 1954.  
Limitation, January 31, 1955.

Amount authorized ----- \$40,000.00  
Expenditures to Dec. 31, 1954 --- 15,845.57

Balance, Jan. 1, 1955 ----- 24,154.43

Committee on Foreign Relations (subcommittee studying revision of the United Nations Charter) under authority of Senate Resolution 126, agreed to July 28, 1953, and Senate Resolution 193, agreed to January 26, 1954.

Limitation, January 31, 1955 (S. Res. 193).

Amounts authorized:  
By S. Res. 126 ----- \$35,000.00  
By S. Res. 193 ----- 40,000.00

Total ----- 75,000.00  
Expenditures to Dec. 31, 1954 --- 46,073.35

Balance, Jan. 1, 1955 ----- 28,926.65

Committee on Government Operations (investigations subcommittee) under authority of Senate Resolution 156, agreed to June 14, 1951; Senate Resolution 251, agreed to January 24, 1952; Senate Resolution 40, agreed to January 30, 1953; Senate Resolution 206, agreed to January 28, 1954; and Senate Resolution 189, agreed to February 2, 1954.

Limitation, January 31, 1955 (S. Res. 189).

Amounts authorized:  
Balance May 1, 1951 ----- \$77,315.18  
By S. Res. 156 ----- 15,000.00  
By S. Res. 251 ----- 89,000.00  
By S. Res. 40 ----- 189,000.00  
By S. Res. 189 ----- 207,273.00

Total ----- 577,588.18  
Expenditures to Dec. 31, 1954 --- 556,199.53

Balance, Jan. 1, 1955 ----- 21,388.65

Committee on Government Operations (subcommittee investigating the reorganization of the legislative and executive branches of the Government) under authority of Senate Resolution 54, agreed to February 1, 1951; Senate Resolution 252, agreed to January 24, 1952; Senate Resolution 56, agreed to February 20, 1953; and Senate Resolution 184, agreed to January 26, 1954.

Limitation, January 31, 1955 (S. Res. 184).

Amount authorized:  
By S. Res. 54 ----- \$19,000.00  
Expenditures to Dec. 31, 1954 --- 9,162.16

Balance, Jan. 1, 1955 ----- 9,837.84

Committee on Interior and Insular Affairs (subcommittee investigating the available fuel reserves of the United States) under authority of Senate Resolution 239, agreed to August 15, 1950; Senate Resolution 374, agreed to December 31, 1950; Senate Resolution 33, agreed to January 29, 1951; Senate Resolution 153, agreed to June 29, 1951; Senate Resolution 242, agreed to January 24, 1952; Senate Resolution 45, agreed to February 20, 1953; and Senate Resolution 233, agreed to April 28, 1954.

Limitation, January 31, 1955 (S. Res. 233).

Amounts authorized:  
By S. Res. 239 ----- \$20,000.00  
By S. Res. 45 ----- 10,000.00

Total ----- 30,000.00  
Expenditures to Dec. 31, 1954 --- 27,828.56

Balance, Jan. 1, 1955 ----- 2,171.44

Committee on Interior and Insular Affairs (subcommittee investigating the accessibility and availability of critical raw materials) under authority of Senate Resolution 143, agreed to July 28, 1953; Senate Resolution 171, agreed to January 26, 1954; Senate Resolution 235, agreed to April 28, 1954; and Senate Resolution 271, agreed to July 17, 1954.

Limitation, January 31, 1955 (S. Res. 271).

Amounts authorized:  
By S. Res. 143 ----- \$37,500.00  
By S. Res. 171 ----- 12,500.00  
By S. Res. 271 ----- 34,000.00

Total ----- 84,000.00  
Expenditures to Dec. 31, 1954 --- 52,280.29

Balance, Jan. 1, 1955 ----- 31,719.71

Committee on Interstate and Foreign Commerce (subcommittee investigating communications, civil aeronautics, domestic transportation, maritime matters, and wildlife conservation) under authority of Senate Resolution 173, agreed to January 26, 1954.

Limitation, February 1, 1954, to January 31, 1955:

Amount authorized ----- \$115,000.00  
Expenditures to Dec. 31, 1954 --- 54,435.58

Balance, Jan. 1, 1955 ----- 60,564.42

Joint Committee on Defense Production, under authority of Public Law 774, approved September 8, 1950 (Defense Production Act of 1950), as amended by Public Law 95, approved June 30, 1953.

Limitation, fiscal year 1955, \$25,000.

No expenditures to December 31, 1954.

NOTE.—Funds to be disbursed by the Clerk of the House of Representatives, of which amount, one-half to be reimbursed by the Senate.

Committee on the Judiciary (subcommittee investigating the flow of escapees and refugees to the Western European nations) under authority of Senate Resolution 326, agreed to June 21, 1952; Senate Resolution 68, agreed to April 22, 1953; and Senate Resolution 188, agreed to January 26, 1954.

Limitation, January 31, 1955 (S. Res. 188).

Amount authorized:  
By S. Res. 326 ----- \$65,000.00  
By S. Res. 68 (allotment reduced) ----- 18,500.00  
By S. Res. 188 ----- 10,000.00

Total ----- 56,500.00  
Expenditures to Dec. 31, 1954 --- 40,414.07

Balance, Jan. 1, 1955 ----- 16,085.93

Committee on the Judiciary (subcommittee investigating the administration, etc., of the Internal Security Act of 1950) under authority of Senate Resolution 366, agreed to December 21, 1950; Senate Resolution 7, agreed to January 29, 1951; Senate Resolution 198, agreed to September 27, 1951; Senate Resolution 314, agreed to May 29, 1952; Senate Resolution 46, agreed to January 30, 1953; and Senate Resolution 172, agreed to January 27, 1954.

Limitation, January 31, 1955 (S. Res. 172).

Amounts authorized:  
By S. Res. 366 ----- \$10,000.00  
By S. Res. 7 ----- 75,000.00  
By S. Res. 198 ----- 117,000.00  
By S. Res. 314 ----- 163,800.00  
By S. Res. 46 ----- 150,000.00  
By S. Res. 172 ----- 170,000.00

Total ----- 685,800.00  
Expenditures to Dec. 31, 1954 --- 637,325.99

Balance, Jan. 1, 1955 ----- 48,474.01

Committee on the Judiciary (investigations subcommittee), under authority of

Senate Resolution 181, agreed to January 26, 1954.

Limitation, February 1, 1954, to January 31, 1955.

Amount authorized ----- \$87,000.00  
Expenditures to Dec. 31, 1954 --- 72,914.90

Balance, Jan. 1, 1955 ----- 14,085.10

Committee on the Judiciary (subcommittee studying juvenile delinquency), under authority of Senate Resolution 89, agreed to June 1, 1953, and Senate Resolution 190, agreed to January 27, 1954.

Limitation, January 31, 1955, or date of final report (earlier).

Amounts authorized:  
By S. Res. 89 ----- \$44,000.00  
By S. Res. 190 ----- 175,000.00

Total ----- 219,000.00  
Expenditures to Dec. 31, 1954 --- 194,682.39

Balance, Jan. 1, 1955 ----- 24,317.61

Committee on the Judiciary (Subcommittee on National Penitentiaries), under authority of Senate Resolution 187, agreed to January 26, 1954.

Limitation, February 1, 1954, to January 31, 1955.

Amount authorized ----- \$5,000.00  
Expenditures to Dec. 31, 1954 --- 1,261.68

Balance, Jan. 1, 1955 ----- 3,738.32

Committee on the Judiciary (making an examination and review of the Trading With the Enemy Act), under authority of Senate Resolution 245, agreed to March 24, 1952; Senate Resolution 47, agreed to January 30, 1953; Senate Resolution 120, agreed to June 24, 1953; and Senate Resolution 227, agreed to April 28, 1954.

Limitations, January 31, 1955 (S. Res. 227).

Amounts authorized:  
By S. Res. 245 ----- \$100,000.00  
By S. Res. 47 ----- 50,000.00  
By S. Res. 227 ----- 10,000.00

Total ----- 160,000.00  
Expenditures to Dec. 31, 1954 --- 130,610.23

Balance, Jan. 1, 1955 ----- 29,389.77

Committee on Labor and Public Welfare (investigation of employee welfare and pension funds), under authority of Senate Resolution 225, agreed to April 28, 1954, and Senate Resolution 270, agreed to July 17, 1954.

Limitation, January 31, 1955.

Amounts authorized:  
By S. Res. 225 ----- \$75,000.00  
By S. Res. 270 ----- 50,150.00

Total ----- 125,150.00  
Expenditures to Dec. 31, 1954 --- 72,495.64

Balance, Jan. 1, 1955 ----- 52,654.36

Committee on Rules and Administration (Subcommittee on Privileges and Elections), under authority of Senate Resolution 234, agreed to May 20, 1954.

Limitation, none (from May 1, 1954).

Amount authorized ----- \$50,000.00  
Expenditures to Dec. 31, 1954 --- 10,023.58

Balance, Jan. 1, 1955 ----- 39,976.42

Committee on Rules and Administration (Subcommittee on Privileges and Elections), under authority of Senate Resolution 250, agreed to April 13, 1950; Senate Resolution 311, agreed to July 27, 1950; Senate Resolution 209, agreed to September 13, 1951; Senate Resolution 262, agreed to January 24, 1952; Senate Resolution 333, agreed to June 12, 1952; Senate Resolution 106, agreed to



June 8, 1953; and Senate Resolution 137, agreed to August 3, 1953.

Limitation, none.

Amounts authorized:

By S. Res. 250.....	\$50,000.00
By S. Res. 311.....	25,000.00
By S. Res. 209.....	10,000.00
By S. Res. 252.....	75,000.00

Amounts authorized—Continued

By S. Res. 333.....	\$100,000.00
By S. Res. 106.....	75,000.00
By S. Res. 137.....	37,500.00
Total.....	372,500.00
Expenditures to Dec. 31, 1954.....	372,277.62
Balance, Jan. 1, 1955.....	222.38

Amounts authorized and expenditures by standing committees under authority of sec. 134A of Legislative Reorganization Act of 1946, 83d Cong.

	Total authorized	Expended to Dec. 31, 1954	Balance Jan. 1, 1955
Standing committees:			
Agriculture and Forestry.....	\$10,000.00	\$8,691.11	\$1,308.89
Appropriations.....	60,000.00	44,978.95	15,021.05
Armed Services.....	20,000.00	14,159.58	5,840.42
Banking and Currency.....	20,000.00	16,382.01	3,617.99
District of Columbia.....	10,000.00	6,448.62	3,551.38
Finance.....	10,000.00	7,088.02	2,911.98
Foreign Relations.....	59,000.00	21,556.98	37,443.02
Government Operations.....	10,000.00	5,952.34	4,047.66
Interior and Insular Affairs.....	30,000.00	27,777.08	2,222.92
Interstate and Foreign Commerce.....	20,000.00	11,034.92	8,965.08
Judiciary.....	40,000.00	27,556.67	12,443.33
Labor and Public Welfare.....	15,000.00	10,022.35	4,977.65
Post Office and Civil Service.....	10,000.00	5,540.31	4,459.69
Public Works.....	35,000.00	8,259.01	26,740.99
Rules and Administration.....	10,000.00	5,985.77	4,014.23
Total, standing committees (83d Cong).....	359,000.00	221,433.72	137,566.28
Total, investigating committees.....	3,870,538.18	2,808,665.30	1,061,872.88
Overall total, subcommittees and standing committees.....	4,229,538.18	3,030,099.02	1,199,439.16

SPECIAL COMMISSION ON GOVERNMENT SECURITY

Mr. HUMPHREY. Mr. President, I ask unanimous consent to introduce, for appropriate reference, a joint resolution to create a special Commission on Government Security; and I also ask unanimous consent to have printed in the RECORD at this point, as a part of my remarks, the full text of the joint resolution.

The PRESIDING OFFICER. The joint resolution will be received and appropriately referred; and, without objection, the joint resolution will be printed in the RECORD, as requested by the Senator from Minnesota.

The joint resolution (S. J. Res. 21) to establish a Commission on Government Security, introduced by Mr. HUMPHREY, for himself and Mr. STENNIS, was received, read twice by its title, referred to the Committee on Government Operations, and ordered to be printed in the RECORD, as follows:

Resolved, etc.—

DECLARATION OF POLICY

SECTION 1. It is vital to the welfare and safety of the United States that there be adequate protection of the national security, including the safeguarding of all national defense secrets and public and private defense installations, against loss or compromise arising from espionage, sabotage, disloyalty, subversive activities, or unauthorized disclosures.

It is, therefore, the policy of the Congress that there shall exist a sound Government program—

(a) establishing procedures for security investigation, evaluation, clearance, and, where necessary, adjudication of Government employees, and also appropriate security requirements with respect to persons privately employed or occupied on work requiring access to national defense secrets or work affording significant opportunity for injury to the national security;

(b) for vigorous enforcement of effective and realistic security laws and regulations; and

(c) for a careful, consistent, and efficient administration of this policy in a manner which will protect the national security and preserve basic American rights.

ESTABLISHMENT OF THE COMMISSION ON GOVERNMENT SECURITY

SEC. 2. (a) For the purpose of carrying out the policy set forth in the first section of this joint resolution, there is hereby established a commission to be known as the Commission on Government Security (hereinafter referred to as the "Commission").

(b) The Commission shall be composed of 12 members, as follows:

(1) Four appointed by the President of the United States, two from the executive branch of the Government and two from private life;

(2) Four appointed by the President of the Senate, two from the Senate and two from private life; and

(3) Four appointed by the Speaker of the House of Representatives, two from the House of Representatives and two from private life.

(c) Of the members appointed to the Commission not more than two shall be appointed by the President of the United States or the President of the Senate or the Speaker of the House of Representatives from the same political party.

(d) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(e) Service of an individual as a member of the Commission or employment of an individual by the Commission as an attorney or expert in any business or professional field, on a part-time or full-time basis, with or without compensation, shall not be considered as service or employment bringing such individual within the provisions of sections 281, 283, 284, 434, or 1914 of title 18 of the United States Code, or section 190 of the Revised Statutes (5 U. S. C. 99).

(f) The Commission shall elect a Chairman and a Vice Chairman from among its members.

(g) Seven members of the Commission shall constitute a quorum.

COMPENSATION OF MEMBERS OF THE COMMISSION

SEC. 3. (a) Members of the Congress who are members of the Commission shall serve

without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) The members of the Commission who are in the executive branch of the Government shall serve without compensation in addition to that received for their services in the executive branch, but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(c) The members of the Commission from private life shall each receive \$50 per diem when engaged in the actual performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

STAFF OF THE COMMISSION

SEC. 4. (a) (1) The Commission shall have power to appoint and fix the compensation of such personnel as it deems advisable without regard to the provisions of the civil service laws and the Classification Act of 1949, as amended.

(2) The Commission may procure, without regard to the civil-service laws and the Classification Act of 1949, temporary and intermittent services to the same extent as is authorized for the departments by section 15 of the act of August 2, 1946 (60 Stat. 810), but at rates not to exceed \$50 per diem for individuals.

(b) All employees of the Commission shall be investigated by the Federal Bureau of Investigation as to character, associations, and loyalty and a report of each such investigation shall be furnished to the Commission.

EXPENSES OF THE COMMISSION

SEC. 5. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this joint resolution.

DUTIES OF THE COMMISSION

SEC. 6. The Commission shall study and investigate the entire Government security program, including the various statutes, Presidential orders, and administrative regulations and directives under which the Government seeks to protect the national security, national defense secrets, and public and private defense installations, against loss or injury arising from espionage, disloyalty, subversive activity, sabotage, or unauthorized disclosures, together with the actual manner in which such statutes, Presidential orders, administrative regulations, and directives have been and are being administered and implemented, with a view to determining whether existing requirements, practices, and procedures are in accordance with the policies set forth in the first section of this joint resolution, and to recommending such changes as it may determine are necessary or desirable. The Commission shall also consider and submit reports and recommendations on the adequacy or deficiencies of existing statutes, Presidential orders, administrative regulations, and directives, and the administration of such statutes, orders, regulations, and directives, from the standpoints of internal consistency of the overall security program and effective protection and maintenance of the national security.

POWERS OF THE COMMISSION

SEC. 7. (a) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this joint resolution, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such



books, records, correspondence, memoranda, papers, and documents as the Commission or such subcommittee or member may deem advisable. Subpenas may be issued under the signature of the Chairman of the Commission, of such subcommittee, or any duly designated member, and may be served by any person designated by such Chairman or member. The provisions of sections 102 to 104, inclusive, of the Revised Statutes (U. S. C., title 2, secs. 192-194), shall apply in the case of any failure of any witness to comply with any subpoena or to testify when summoned under authority of this section.

(b) The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purposes of this joint resolution, and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

#### INTERFERENCE WITH CRIMINAL PROSECUTIONS AND INTELLIGENCE FUNCTIONS

SEC. 8. Nothing contained in this joint resolution shall be construed to require any agency of the United States to release any information possessed by it when, in the opinion of the President, the premature disclosure of such information would jeopardize or interfere with a pending or prospective criminal prosecution, or with the carrying out of the intelligence responsibilities of such agency.

#### REPORTS

SEC. 9. The Commission shall submit interim reports to the Congress and the President at such time or times as it deems advisable, and shall submit its final report to the Congress and the President not later than January 15, 1956. The final report of the Commission may propose such legislative enactments and administrative actions as in its judgment are necessary to carry out its recommendations. The Commission shall cease to exist 90 days after submission of its final report.

Mr. HUMPHREY. Mr. President, I ask that it be noted that the joint resolution is cosponsored by the distinguished junior Senator from Mississippi [Mr. STENNIS]. We have joined together on this measure; and for the next few minutes I shall discuss why we believe it is an important proposal.

The joint resolution is carefully drawn, and is the reflection of intensive discussions that I have had with Members on both sides of the aisle. It is a matter of sincere satisfaction to me that, following my original announcement of interest in connection with a commission, significant bipartisan support has come to me both in and out of Congress.

There is a grave realization, Mr. President, that our security laws, regulations, and practices need a new look, a careful look, a nonpolitical look. This can be accomplished through a commission along the lines of the one called for by the joint resolution now at the desk.

The real problem facing us is to assure that we shall have an overall Government security program which will realistically and effectively meet the requirements of the national security in this time of peril and at the same time will be consistent with our great national

tradition. We must be sure not only that our legitimate security measures are as effective as possible, but also that they are realistic and worthwhile from the standpoint of the total national interest.

Our present total Government mechanism for assuring security does not inspire confidence. Not since 1917, when the Espionage Act was under consideration by the Congress, has there been full-dress consideration by the Congress of the problems of protecting national secrets, and national defense generally, against subversive penetration. Nor is there any indication that the executive branch has ever devoted itself to consideration of the total security problem. In the past, such action as has been taken in the name of security has been more a random, sporadic response to peril, rather than a carefully considered plan for defense against peril.

With specific regard to the question of employee security, for example, the central investigating agencies are the FBI and Civil Service Commission. It is my understanding that, ordinarily, investigations are conducted by Civil Service Commission unless an agency has its own facilities, as in the case of the Defense, State, Treasury, Justice, Post Office, and Agriculture Departments.

Mr. President, I note here that immediately we see again the variations in pattern. We see two central investigating agencies, namely, the FBI and the Civil Service Commission; and then, off on the side, we see separate Departments which have their own investigatory facilities, totally removed from the civil-service procedures and criteria. Of course, it is always true and apparent that if serious, derogatory information is developed, the case is then referred to the FBI; and, of course, the FBI may also make original investigation, when required by law.

On the basis of information available to me, I am persuaded that the Civil Service Commission and the Federal Bureau of Investigation have maintained high standards of selection for their investigators. The best that can be said for the other agencies, however, is that their standards are variable.

Security investigator is a new profession in Government. Where the Civil Service and FBI are concerned, these investigators are not subject to administrative direction from individually interested agencies; but as to the investigators of other Departments, there is always the danger they will be subject to administrative guidance and suggestions.

The FBI has long maintained the practice of not evaluating its own findings. It is a factfinding and reporting agency, and leaves their evaluation to others. Undoubtedly, this has contributed to its prestige and strength—prestige and strength which are justly deserved, Mr. President, on the basis of the record and the performance. Yet it appears that in other agencies the factfinders are also the evaluators. This means that on occasion, security investigators make

recommendations on the facts filed by them.

These points raise bothersome questions. Does the Congress intend to have the security investigator serve as policeman, prosecutor, and judge, all in one?

It is to help find the answers to these questions and to these problems and to many more that I do not have the time—nor do I take the time—to raise, that the Commission which is provided for in the joint resolution we are introducing today is necessary.

We have done many things in the name of security during the past decade; indeed, as a practical matter, our present security system is a phenomenon of only the past decade. We have enacted espionage laws and tightened existing laws; we have required investigation and clearance of millions of our citizens; we have classified information and locked it in safes behind locked doors, in locked and guarded buildings, within fenced and heavily guarded reservations. But each of these actions has been taken sporadically and independently and not as part of a rational overall master plan for security.

It is my feeling that the time is long overdue for us to really take a look at what we have created, to evaluate it, to analyze it, and then to assign an appropriate, adequate plan of security which meets all the tests of the protection of our national safety and welfare.

We have not paused in our necessary, though frantic, quest for security to ask ourselves:

What are we trying to protect, and against what?

What can we effectively protect?

What specific measures will give us the degree of protection we want or need?

What price are we willing to pay for security?

Lest I be misunderstood, I realize that individually, as we have discussed these typical questions in our deliberations in the Congress, we have asked ourselves these questions and have come up with immediate answers. The point I am trying to make is that we have never really had placed before us all the laws, rules, regulations, Executive orders, and directives which make up what we call our security system, to see whether there is overlapping and duplication, whether there are loopholes, and areas not properly covered, and to learn whether or not we are creating a program which has a uniformity of application, or whether it runs hot and cold, depending upon the particular attitudes of individual administration officials.

A consequence of our failure to come to grips with the hard realities of the security problem, to understand it, and to bring it under rational control, is that we have in 1955 a complex of Government security statutes, regulations, and procedures which on its face seem contradictory. I do not know whether or not our national secrets and national security generally are being adequately protected under the existing system. I do not think anybody knows or can know—even those men in our Govern-







# Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(For Department Staff Only)

Issued January 21, 1955  
For actions of January 20, 1955  
84th-1st, No. 9

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HIGHLIGHTS: House completed congressional action on urgent deficiency appropriation bill. House received President's economic report.

## HOUSE

1. URGENT DEFICIENCY APPROPRIATION BILL, 1955. Concurred in the Senate amendments to this bill, H. R. 2091, which includes an increase of \$7,290,000 in the CCC administrative-expense limitation for 1955 (pp. 395-6). This bill will now be sent to the President.
2. COMMITTEE ASSIGNMENTS. Minority assignments to the various standing committees were agreed to, including the following: Agriculture: Hope, Kans.; Andresen, Minn.; Hill, Colo.; Hoeven, Iowa; Simpson, Ill.; Dague, Pa.; Harvey, Ind.; Lovre, S.D.; Belcher, Okla.; McIntire, Me.; Williams, N.Y.; King, Pa.; Harrison, Nebr.; Laird, Wis.; Dixon, Utah; and Farrington, Hawaii.  
Government Operations: Hoffman, Mich.; Riehlman, N.Y.; Harden, Ind.; Brownson, Ind.; Meader, Mich.; Brown, Ohio; Lipscomb, Cal.; Reece, Tenn.; Younger, Cal.; Knox, Mich.; Krueger, N.D.; Jonas, N.C.; and Minshall, Ohio.  
Post Office and Civil Service: Rees, Kans.; Corbett, Pa.; St. George, N.Y.; Hardin, Ind.; Gross, Iowa; Cretella, Conn.; Gubser, Cal.; Brownhill, Va.; Tederberg, Mich.; Henderson, O.; and Johansen, Mich. (p. 395.)  
Del. Bartlett, Alaska, and Resident Commissioner Fernos-Isern, Puerto Rico., were elected to membership on the Agriculture Committee (p. 407).



3. ECONOMIC POLIT. Received the President's economic report (H. Doc. 31); to Joint Committee on the Economic Report (pp. 393-5). Attached to this Digest are excerpts from this report.  
Reps. Fatman, Bolling, Mills, Kelley (Pa.), Wolcott, Talle, and Curtis (Mo.) were appointed to membership on the Joint Committee on the Economic Report (p. 393).
4. STATISTICS; BUDGET. Rep. Talle commended the President's budget for containing, "for the first time in history," recommendations for expanding and coordinating Federal statistical programs, and inserted a special analysis on the Federal economic statistical programs as contained in the budget (pp. 401-2).
5. ACREAGE ALLOTMENTS; FAMILY-SIZE FARMS. Rep. Burdick spoke in favor of his bill, H. R. 748, providing for the removal of limits on production of agricultural commodities, and protection of the family-type farm (pp. 405-6).
6. FOREIGN TRADE. Rep. Williams (N.J.) spoke in favor of the President's recommendations on foreign trade policy, which include a 3-year extension of the President's authority to enter into reciprocal trade agreements (pp. 407-10).  
Rep. Mason spoke against the President's foreign trade policy recommendations and claimed that reciprocal trade agreements have hurt our economy and increased unemployment (pp. 410-1).
7. DROUGHT AID. Reps. Edmondson, Albert, and Brooks criticized the Department's drought-relief program; and Rep. Edmondson spoke in favor of a permanent national drought-control program (pp. 411-3).
8. REPORTS. Received REA's and FCIC's annual reports, and a report from this Department on the overobligation of an allotment not involving the over-obligation of the appropriation or the quarterly apportionment thereof (p. 417).
9. ADJOURNED until Mon., Jan. 24, when the President's message on the national health program will be received (pp. 414, D23).

#### SENATE

10. NOMINATIONS. The Agriculture and Forestry Committee (on Jan. 19) ordered reported the nominations of Ervin L. Peterson and James A. McConnell to be Assistant Secretaries of Agriculture and members of the CCC Board of Directors (p. D21).
11. POST OFFICE SECURITY PROGRAM. The Post Office and Civil Service Committee (on Jan. 19) ordered reported with amendments S. Res. 20, providing \$125,000 to the committee for expenditure in connection with the "administration of the Government employees security program" (p. D22).

#### ITEMS IN APPENDIX

12. PARLIAMENTS. Extension of remarks of Rep. Scudder and insertion of a Santa Rosa, Calif., Press-Democrat editorial "Equitable Tariff Law Difficult to Arrive at" (p. A295).



Support should be provided for an Office of Coordinator of Public Works Planning in the Executive Office of the President, and for a revolving fund for advances to the States and municipalities for public works planning.

#### CONCLUSION

Our Nation's recent history teaches that a foresighted Government can do much to help keep the economy stable, but experience affords no good basis for a belief that the Government can entirely prevent fluctuations.

We should harness the idealism as well as the intelligence of our generation to the practical end of facilitating the growth of private enterprise and of increasing the stability of our economy.

The Government will shoulder its full responsibility to help realize that goal.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, January 20, 1955.

#### SWEARING IN OF MEMBER

Mr. BLATNIK appeared at the bar of the House and took the oath of office.

#### SWEARING IN OF RESIDENT COMMISSIONER

Mr. FERNÓS-ISERN appeared at the bar of the House and took the oath of office as Resident Commissioner for Puerto Rico.

#### COMPOSITION OF COMMITTEES

Mr. McCORMACK. Mr. Speaker, I offer a privileged resolution (H. Res. 94) and ask for its immediate consideration.

The Clerk read as follows:

*Resolved*, That during the 84th Congress the Committee on Agriculture shall be composed of 34 members;

The Committee on Armed Services shall be composed of 37 members;

The Committee on Banking and Currency shall be composed of 30 members;

The Committee on Education and Labor shall be composed of 30 members;

The Committee on Foreign Affairs shall be composed of 32 members;

The Committee on Government Operations shall be composed of 30 members;

The Committee on Interior and Insular Affairs shall be composed of 29 members;

The Committee on Interstate and Foreign Commerce shall be composed of 31 members;

The Committee on the Judiciary shall be composed of 32 members;

The Committee on Merchant Marine and Fisheries shall be composed of 29 members; and

The Committee on Public Works shall be composed of 30 members.

The resolution was agreed to, and a motion to reconsider was laid on the table.

#### MINORITY COMMITTEE ASSIGNMENTS

Mr. MARTIN. Mr. Speaker, I offer a privileged resolution (H. Res. 95) and ask for its immediate consideration.

The Clerk read as follows:

*Resolved*, That the following Members be, and they are hereby, elected members of the following standing committees of the House of Representatives:

Committee on Agriculture: Clifford R. Hope, Kansas; August H. Andresen, Minne-

sota; William S. Hill, Colorado; Charles B. Hoeven, Iowa; Sid Simpson, Illinois; Paul B. Dague, Pennsylvania; Ralph Harvey, Indiana; Harold O. Love, South Dakota; Page Beicher, Oklahoma; Clifford G. McIntire, Maine; William R. Williams, New York; Karl C. King, Pennsylvania; Robert D. Harrison, Nebraska; Melvin R. Laird, Wisconsin; Henry A. Dixon, Utah; Mrs. Joseph R. Farrington, Hawaii.

Committee on Armed Services: Dewey Short, Missouri; Leslie C. Arends, Illinois; W. Sterling Cole, New York; Leroy Johnson, California; Leon H. Gavin, Pennsylvania; Walter Norblad, Oregon; James E. Van Zandt, Pennsylvania; James T. Patterson, Connecticut; Paul Cunningham, Iowa; William H. Bates, Massachusetts; William E. Hess, Ohio; Charles P. Nelson, Maine; James P. S. Devereux, Maryland; Alvin E. O'Konski, Wisconsin; William G. Bray, Indiana; Robert C. Wilson, California; Frank C. Osmer, Jr., New Jersey; Mrs. Joseph R. Farrington, Hawaii.

Committee on Banking and Currency: Jesse P. Wolcott, Michigan; Ralph A. Gamble, New York; Henry O. Talle, Iowa; Clarence E. Kilburn, New York; Gordon L. McDonough, California; William B. Widnall, New Jersey; Jackson E. Betts, Ohio; Walter M. Mumma, Pennsylvania; William E. McVey, Illinois; Edgar W. Hiestand, California; Donald W. Nicholson, Massachusetts; Oliver P. Bolton, Ohio; Perkins Bass, New Hampshire.

Committee on the District of Columbia: Sid Simpson, Illinois; Joseph P. O'Hara, Minnesota; Henry O. Talle, Iowa; A. L. Miller, Nebraska; James C. Auchincloss, New Jersey; John J. Allen, Jr., California; Carroll D. Kearns, Pennsylvania; James T. Patterson, Connecticut; Charles S. Gubser, California; Joel T. Broyhill, Virginia; DeWitt S. Hyde, Maryland.

Committee on Education and Labor: Samuel K. McConnell, Jr., Pennsylvania; Ralph W. Gwinn, New York; Wint Smith, Kansas; Carroll D. Kearns, Pennsylvania; Harold H. Velde, Illinois; Clare E. Hoffman, Michigan; Albert H. Bosch, New York; Joseph F. Holt, California; John J. Rhodes, Arizona; Stuyvesant Wainwright 2d, New York; Peter Frelinghuysen, Jr., New Jersey; Sam Coon, Oregon; Orvin B. Fjare, Montana.

Committee on Foreign Affairs: Robert B. Chipfield, Illinois; John M. Vorys, Ohio; Frances P. Bolton, Ohio; Lawrence H. Smith, Wisconsin; Chester E. Merrow, New Hampshire; Walter H. Judd, Minnesota; James G. Fulton, Pennsylvania; Donald L. Jackson, California; Karl M. LeCompte, Iowa; Edmund P. Radwan, New York; Albert P. Morano, Connecticut; Marguerite Stitt Church, Illinois; E. Ross Adair, Indiana; Winston L. Prouty, Vermont; Alvin M. Bentley, Michigan.

Committee on Government Operations: Clare E. Hoffman, Michigan; R. Walter Riehlman, New York; Cecil M. Harden, Indiana; Charles B. Brownson, Indiana; George Meader, Michigan; Clarence J. Brown, Ohio; Glenard P. Lipscomb, California; B. Carroll Reece, Tennessee; J. Arthur Younger, California; Victor Knox, Michigan; Otto Krueger, North Dakota; Charles Raper Jonas, North Carolina; William E. Minshall, Ohio.

Committee on House Administration: Charles A. Halleck, Indiana.

Committee on Interior and Insular Affairs: A. L. Miller, Nebraska; John P. Saylor, Pennsylvania; J. Ernest Wharton, New York; E. Y. Berry, South Dakota; William A. Dawson, Utah; Jack Westland, Washington; John R. Pillion, New York; Clifton (Cliff) Young, Nevada; Craig Hosmer, California; John J. Rhodes, Arizona; Hamer H. Budge, Idaho; J. Edgar Chenoweth, Colorado; James B. Utt, California; Mrs. Joseph R. Farrington, Hawaii.

Committee on Interstate and Foreign Commerce: Charles A. Wolverson, New Jersey;

Cari Hinshaw, California; Joseph P. O'Hara, Minnesota; Robert Hale, Maine; James I. Dooliver, Iowa; John W. Heselton, Massachusetts; John B. Bennett, Michigan; Richard W. Hoffman, Illinois; John V. Beamer, Indiana; William L. Springer, Illinois; Alvin E. Bush, Pennsylvania; Paul F. Schenck, Ohio; Joseph L. Carrigg, Pennsylvania; Steven E. Derouin, New York.

Committee on the Judiciary: Chauncey W. Reed, Illinois; Kenneth B. Keating, New York; William M. McCulloch, Ohio; Ruth Thompson, Michigan; Patrick J. Hillings, California; Shephard J. Crumpacker, Jr., Indiana; William E. Miller, New York; Dean P. Taylor, New York; Usher L. Burdick, North Dakota; Laurence Curtis, Massachusetts; John M. Robison, Jr., Kentucky; DeWitt S. Hyde, Maryland; Richard H. Poff, Virginia; Hugh D. Scott, Jr., Pennsylvania.

Committee on Merchant Marine and Fisheries: Thor C. Tollefson, Washington; John J. Allen, Jr., California; Horace Seely-Brown, Jr., Connecticut; Timothy P. Sheehan, Illinois; William K. Van Pelt, Wisconsin; John H. Ray, New York; William S. Mailliard, California; Francis E. Dorn, New York; Alvin R. Bush, Pennsylvania; Thomas M. Pelly, Washington; Elford A. Cederberg, Michigan; A. D. Baumhart, Jr., Ohio; Jackson B. Chase, Nebraska.

Committee on Post Office and Civil Service: Edward H. Rees, Kansas; Robert J. Corbett, Pennsylvania; Katharine St. George, New York; Cecil M. Hardin, Indiana; H. R. Gross, Iowa; Albert W. Cretella, Connecticut; Charles S. Gubser, California; Joel T. Broyhill, Virginia; Elford A. Cederberg, Michigan; John E. Henderson, Ohio; August E. Johansen, Michigan.

Committee on Public Works: George A. Dondero, Michigan; J. Harry McGregor, Ohio; James C. Auchincloss, New Jersey; Russell V. Mack, Washington; Hubert B. Seudder, California; Myron V. George, Kansas; Frank J. Becker, New York; Gordon H. Scherer, Ohio; Gardner R. Withrow, Wisconsin; William C. Cramer, Florida; John F. Baldwin, California; Fred Schwengel, Iowa; Bruce Alger, Texas.

Committee on Rules: Leo E. Allen, Illinois; Clarence J. Brown, Ohio; Harris Ellsworth, Oregon; Henry J. Latham, New York.

Committee on Un-American Activities: Harold H. Velde, Illinois; Bernard W. (Pat) Kearney, New York; Donald L. Jackson, California; Gordon H. Scherer, Ohio.

Committee on Veterans' Affairs: Edith Nourse Rogers, Massachusetts; Bernard W. (Pat) Kearney, New York; William H. Ayres, Ohio; E. Ross Adair, Indiana; Paul A. Fino, New York; Phil Weaver, Nebraska; William H. Avery, Kansas; E. Keith Thomson, Wyoming; Eugene Siler, Kentucky; Charles M. Teague, California.

The resolution was agreed to, and a motion to reconsider was laid on the table.

#### URGENT DEFICIENCY APPROPRIATION ACT, 1955

Mr. ANDREWS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 2091) making appropriations for the fiscal year ending June 30, 1955, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, line 3, insert "Senate."

Page 2, line 4, insert "For payment to Harriet McCarran, widow of Pat McCarran, late a Senator from the State of Nevada, \$12,500."

Page 2, line 7, insert "For payment to Mary R. P. Maybank, widow of Burnet R. Maybank,



late a Senator from the State of South Carolina, \$12,500."

Page 2, line 10, insert:

**"SALARIES, OFFICERS AND EMPLOYEES**

"The appropriation for salaries of officers and employees of the Senate contained in the Legislative Branch Appropriation Act, 1955, is made available for the employment of additional clerical assistants for each Senator from the State of Kentucky, so that the allowance for administrative and clerical assistants for such Senators will be equal to that allowed other Senators from States having a population of more than 3 million but less than 5 million, the population of said State having exceeded 3 million inhabitants."

Page 2, line 20, insert:

**"OFFICE OF THE SECRETARY**

"Office of the Secretary: For an additional amount for the Office of the Secretary, \$4,845: *Provided*, That effective February 1, 1955, the basic amount available for clerical assistance and readjustment of salaries in the disbursing office is increased by \$6,600 per annum."

Page 3, line 1, insert: "CONTINGENT EXPENSES OF THE SENATE"

Page 3, line 2, insert:

"Senate policy committees: For an additional amount for the Senate policy committees, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, 83d Congress, \$220 for each such committee; in all, \$440."

Page 3, line 7, insert:

"Joint Committee on Printing: For an additional amount for the Joint Committee on Printing, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, 83d Congress, \$115."

Page 3, line 11, insert:

"Inquiries and investigations: For an additional amount for expenses of inquiries and investigations, \$795,000."

Page 3, line 13, insert:

"Stationery: For an additional amount for stationery, \$3,550, and the amount available for stationery for committees and officers of the Senate is hereby increased to \$13,550."

Page 4, line 16, insert:

**"COMMISSION ON INTERGOVERNMENTAL RELATIONS**

**"SALARIES AND EXPENSES**

"For an additional amount for 'Salaries and expenses,' \$160,000: *Provided*, That said appropriation shall remain available until June 30, 1955: *Provided further*, That this paragraph shall be effective only upon the enactment into law of H. R. 2010, 84th Congress."

Page 5, line 20, strike out "\$90,000" and insert "\$130,000."

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The Senate amendments were concurred in, and a motion to reconsider was laid on the table.

**ADJOURNMENT OVER**

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

**SIGNING OF ENROLLED BILLS**

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that notwith-

standing the adjournment of the House until Monday next the clerk be authorized to receive messages from the Senate and that the Speaker be authorized to sign any enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

**REPORT OF COMMITTEE INVESTIGATING COMMUNIST AGGRESSION**

(Mr. MADDEN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. MADDEN. Mr. Speaker, the special select Committee on Communist Aggression, authorized by the 83d Congress, completed its final summary report on December 31, 1954. This week the printed copies of the summary report are off the press and ready for distribution among the Members of the Congress.

Our former colleague, Charles Kersten, chairman of the select committee and the committee staff, have temporary offices at Georgetown University and are engaged in the work of distributing copies of the summary report and also the special reports for each of the Communist captive countries to the Members of Congress and other organizations who desire to read the same. No doubt a number of Members of Congress will desire extra copies of this report for organizations, libraries, and others in your district. The same can be secured by writing the Committee on Communist Aggression at Georgetown University or telephoning Mr. Kersten, Committee Counsel Jim McTigue, or Staff Director Mr. Edward O'Connor at ADams 2-7000, extension 433 to 434.

The Committee on Communist Aggression held numerous hearings both in this country and abroad, exposing the true facts on the methods and blueprints used by the leaders of the Communist conspiracy in capturing neighbor nations during the last 15 years. The testimony and facts recorded from over 300 witnesses is a revelation of truth about communism which should be brought to the minds of millions of people living in the free countries throughout the world as well as informing the millions behind the Iron Curtain who are unwilling captives of the Communist conspiracy.

I am hereby submitting for the consideration of the Members of Congress, the committee's basic findings, conclusions, and recommendations which are set out in our summary report:

**BASIC FINDINGS**

Based upon the testimony, documents, individual sworn depositions, and other evidence presented to the committee, the following basic findings are made:

1. That the objective of Communist aggression is to destroy civilization as we know it and to replace it with a planned existence from which will emerge the new Soviet man completely responsive to the masters of the universal superstate.

2. That no pretext is too insignificant, if the Soviet Union is convinced the proper time has arrived, to serve as an excuse for an action of armed aggression.

3. That no nation, including the Russian Federated Soviet Socialist Republic, has ever voluntarily adopted communism. Communism takes over by force of arms or threat of force by the Red army, controlled as it is by Communist political commissars and the MVD.

4. That treaties of mutual assistance, non-aggression pacts, and protestations favoring peaceful coexistence are continuously dangled as bait before the free nations by the U. S. S. R. to distract them from its unalterable purposes of aggression. Once the bait is taken such fraudulent instruments become the means for Communist penetration and final takeover.

5. That leaders of native Communist elements assisting the Soviet Union to assume control of a victim state are inevitably purged, liquidated, or forced to flee after the successful coup and are replaced by Soviet nationals, usually Russian Communists.

6. That no national culture, aspirations, religion, or independence are permitted to freely exist for more than a relatively short time after communism assumes control of a victim state.

7. That irrespective of constitution, local law, treaties or agreements in force when the Communists take over in the victim state every phase of life is dictated by the Kremlin.

8. That there is no limit to the terror, oppressive tactics, barbarity, perfidy, and inhuman corruption which the Soviet Union will employ to enforce or to secure its demands and desires in a victim state.

9. That every effort at forming a political coalition between Communist and non-Communist groups for the establishment of a government can end in only one result: liquidation of the non-Communist groups.

10. That no election carried out in a Communist-controlled state can be considered a free election. In every case Communists control the election machinery, lists of candidates, ballots, ballot counting, and accompany this control with terrorization of the voters.

11. That communism is the avowed enemy of all religions: Protestant, Catholic, Jewish, Orthodox, or Moslem. It tolerates only those religious leaders who lend themselves to Communist propaganda.

12. That the principal purpose of education under Communist rule is to propagate communism and to eliminate the distinctive culture of the victim state. Teachers and students are placed in an intellectual strait-jacket.

13. That under Communist rule, labor is organized by the state to serve only the state, the worker is a helpless pawn in a system where ruthless exploitation and drudgery is the reward for all save the Communist elite.

14. That among the false claims which Communist propaganda is promoting in the free world is the idea of Communist nondiscrimination against racial minorities. The hypocrisy of this has been strikingly demonstrated, among other examples, in the persecution and extermination of the Jews in the U. S. S. R., and in the nations of central Europe more recently occupied by communism.

15. That slave labor and its planned utilization are integral parts of the economic and political system of the Soviet Union, and without them the empire of communism cannot exist. This situation poses a serious threat to the preservation of the hard-earned gains of free labor in the United States and to the economic system of the entire free world.

16. That destruction of the basic unit of civilization—the family—is mandatory and inevitable under communism.







Public Law 3 - 84th Congress

Chapter 3 - 1st Session

H. R. 2091

AN ACT

Making appropriations for the fiscal year ending June 30, 1955, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, to supply appropriations (this Act may be cited as the "Urgent Deficiency Appropriation Act, 1955") for the fiscal year ending June 30, 1955, and for other purposes, namely: Urgent Deficiency Appropriation Act, 1955.

CHAPTER I

LEGISLATIVE BRANCH

SENATE

For payment to Harriet McCarran, widow of Pat McCarran, late a Senator from the State of Nevada, \$12,500.

For payment to Mary R. P. Maybank, widow of Burnet R. Maybank, late a Senator from the State of South Carolina, \$12,500.

SALARIES, OFFICERS AND EMPLOYEES

The appropriation for salaries of officers and employees of the Senate contained in the Legislative Branch Appropriation Act, 1955, <sup>68 Stat. 397.</sup> is made available for the employment of additional clerical assistants for each Senator from the State of Kentucky, so that the allowance for administrative and clerical assistants for such Senators will be equal to that allowed other Senators from States having a population of more than three million but less than five million, the population of said State having exceeded three million inhabitants.

OFFICE OF THE SECRETARY

Office of the Secretary: For an additional amount for the Office of the Secretary, \$4,845: *Provided*, That effective February 1, 1955, the basic amount available for clerical assistance and readjustment of salaries in the disbursing office is increased by \$6,600 per annum.

CONTINGENT EXPENSES OF THE SENATE

Senate policy committees: For an additional amount for the Senate policy committees, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, Eighty-third Congress, \$220 for each such committee; in all, \$440. 68 Stat. 736.

Joint Committee on Printing: For an additional amount for the Joint Committee on Printing, for agency contribution for Federal Employees Group Life Insurance, as authorized by Public Law 598, Eighty-third Congress, \$115. 5 USC 2091 note.  
69 Stat. 4.  
69 Stat. 5.

Inquiries and investigations: For an additional amount for expenses of inquiries and investigations, \$795,000.

Stationery: For an additional amount for stationery, \$3,550, and the amount available for stationery for committees and officers of the Senate is hereby increased to \$13,550.



## HOUSE OF REPRESENTATIVES

For payment to Florence R. Rogers, widow of Dwight L. Rogers, late a Representative from the State of Florida, \$12,500.

For payment to Nora Mack, mother-in-law, and Isabel Kanaga and Florence R. King, sisters, of Paul W. Shafer, late a Representative from the State of Michigan, \$12,500.

### ARCHITECT OF THE CAPITOL

Terraces of Capitol Building: Not to exceed \$44,500 of the balance of the appropriation for "Terraces of Capitol Building" contained in the Legislative Appropriation Act, 1954, unobligated on December 31, 1954, is hereby continued available, and in addition to the purposes heretofore authorized shall also be available for reconstruction of the House and Senate walkways adjacent to the terraces.

67 Stat. 327.

## CHAPTER II

### DEPARTMENT OF AGRICULTURE

#### COMMODITY CREDIT CORPORATION

The limitation under this heading in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955, on the amount available for administrative expenses of the Corporation is increased from "\$18,000,000" to "\$25,290,000".

68 Stat. 317.  
15 USC 713a-10.

## CHAPTER III

### INDEPENDENT OFFICES

#### COMMISSION ON INTERGOVERNMENTAL RELATIONS

##### SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", \$160,000: *Provided*, That said appropriation shall remain available until June 30, 1955: *Provided further*, That this paragraph shall be effective only upon the enactment into law of H. R. 2010, Eighty-fourth Congress.

#### HOUSING AND HOME FINANCE AGENCY

##### FEDERAL HOUSING ADMINISTRATION

The amount made available under this head in title II of the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, for administrative expenses, is increased from "\$5,500,000" to "\$5,625,000", and the limitation on the amount available for the expenses of travel is increased from "\$250,000" to "\$267,600": *Provided*, That the limitation under said head on the amounts available for certain nonadministrative expenses of said Administration is increased from "\$26,250,000" to not to exceed "\$31,560,000": *Provided further*, That no part of the funds contained herein shall be available for transfer, but shall be available for use exclusively by the Federal Housing Administration.

68 Stat. 297,  
818.

69 Stat. 5.  
69 Stat. 6.

Restriction.

FOREIGN CLAIMS SETTLEMENT COMMISSION

ADMINISTRATIVE EXPENSES

For an additional amount for "Administrative expenses", for carrying out the provisions of the Act of August 31, 1954 (Public Law 744), \$130,000, to be derived from the War Claims Fund created by section 13a of the War Claims Act of 1948 (Public Law 896, approved July 3, 1948) ; and this amount and amounts previously made available from this source to the Foreign Claims Settlement Commission for "Administrative expenses" shall remain available until June 30, 1955: *Provided*, That the limitation under this head in the Independent Offices Appropriation Act, 1955, as amended by the Supplemental Appropriation Act, 1955, on the amount available for expenses of travel of the Foreign Claims Settlement Commission (War Claims Commission) is increased from "\$8,000" to "\$12,000".

68 Stat. 1033.  
50 USC app.  
2004 note.  
62 Stat. 1247.  
50 USC app.  
2012.  
68 Stat. 293,  
819.

CHAPTER IV

GENERAL PROVISIONS

SEC. 401. No part of any appropriation contained in this Act, or of the funds available for expenditure by any corporation included in this Act, shall be used to pay the salary or wages of any person who engages in a strike against the Government of the United States or who is a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocates, or is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided*, That for the purposes hereof an affidavit shall be considered prima facie evidence that the person making the affidavit has not contrary to the provisions of this section engaged in a strike against the Government of the United States, is not a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or that such person does not advocate, and is not a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided further*, That any person who engages in a strike against the Government of the United States or who is a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence and accepts employment the salary or wages for which are paid from any appropriation or fund contained in this or any other Act shall be guilty of a felony and, upon conviction, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both: *Provided further*, That the above penalty clause shall be in addition to, and not in substitution for, any other provisions of existing law.

Strikes or  
overthrow of  
Government.  
  
Affidavit.  
  
Penalty.

Approved January 25, 1955.

